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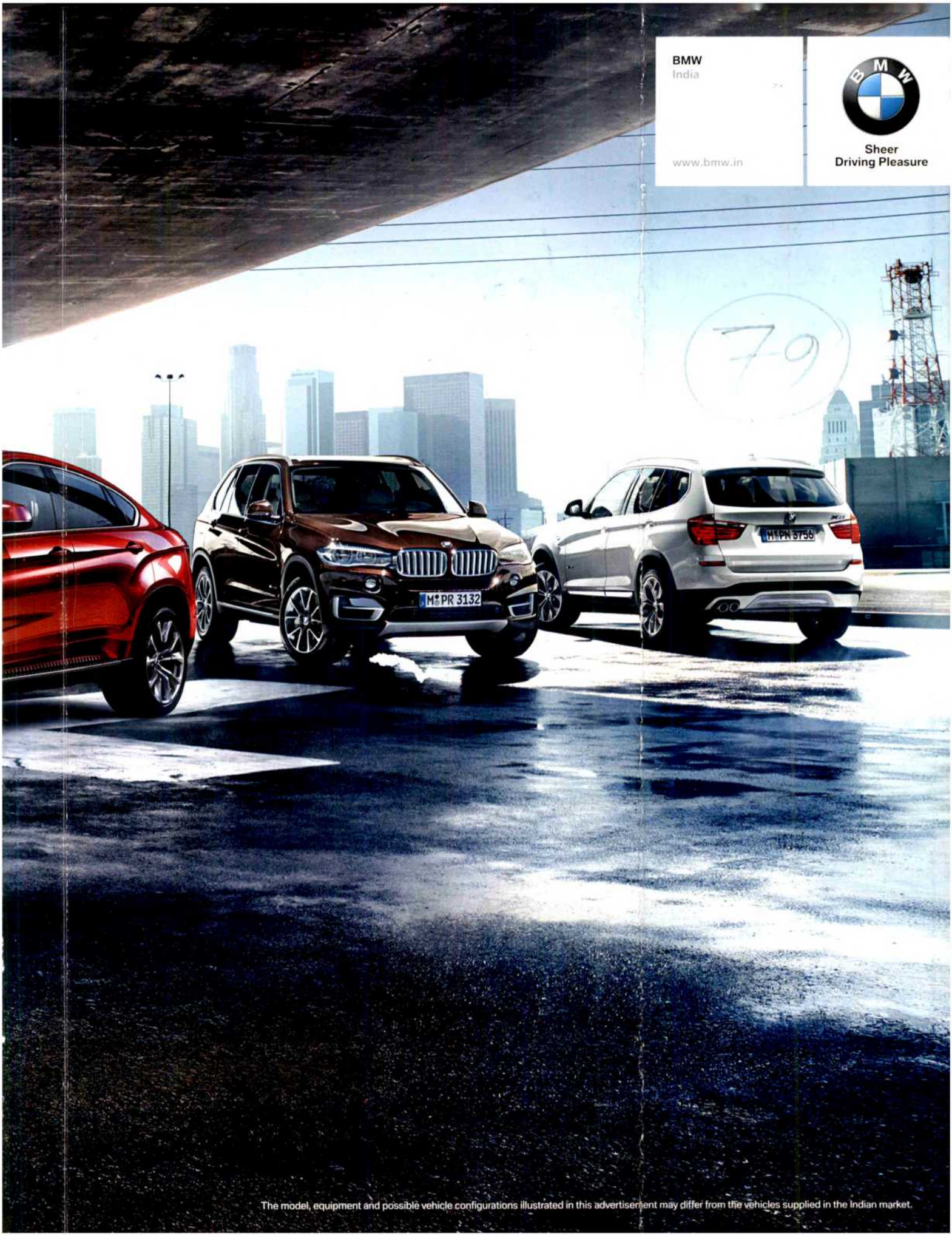
# THE LUXURY ISSUE 2015

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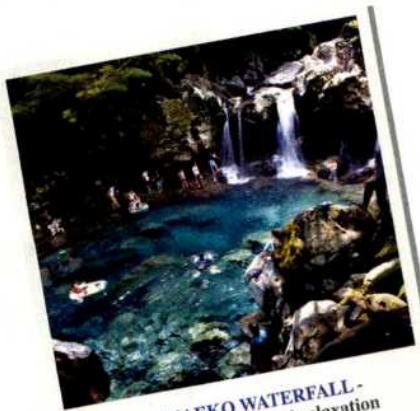
If travel destinations were school kids, Jeju Island would be the overachiever. Offering multiple attractions in its modest size, it's no wonder that Jeju Island is emerging as one of the perfect MICE destinations in the world.

## {JEJU - A FANTASTIC ISLAND FOR MICE TOURISM}

Considered as the Hawaii of Korea, Jeju Island has become a hub between continental countries (Russia and China) and marine countries (Japan and South East Asia) for MICE tourism. Thanks to the rich tourism resources of Jeju, the island was designated as one of the New Seven Wonders of the World in 2011. It is also home to 3 UNESCO World Heritage Sites. Jeju has become a sought after destination for reputed international events like summit talks, state level/international conferences. On an average more than 200 international meetings per year are held in Jeju. Along with diverse geographical features that Jeju has to offer, the beautiful island boasts of super deluxe hotels & resorts, world class convention centre, adventure sports and team building activities: simply perfect for organizations looking for out of the box destination for international incentive groups.



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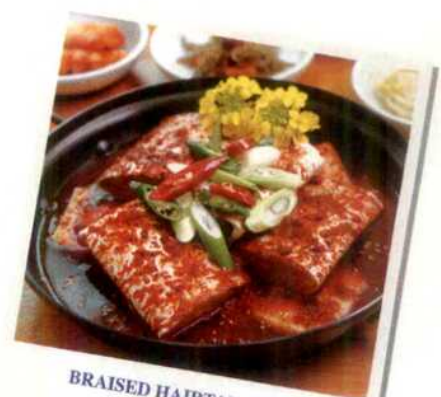
## {UNTOUCHED BEAUTY - VOLCANIC ISLAND OF ALLURE}

Jeju Island has a unique landscape that is home to a diversity of plant life and numerous types of animals. The coastlines are a series of cliffs and beaches and past volcanic activity has carved out an extensive series of beautiful lava caves and sea caves all around the island. So whether you're an adventure lover, nature enthusiast or simply love doing nothing at all, Jeju Island has plenty of options to choose from.

## {A TREAT FOR YOUR PALATE}

As an island with a long history of fishing, Jeju Island is known for dishes made with fresh and savoury seafood. Various seafood dishes use mackerel, hairtail fish, abalone, and tilefish caught right from the waters surrounding Jeju Island. The chewy taste of the famed black pork is also a known trademark of island. Porridge made out of locally grown mushrooms is a favourite among the vegetarian natives and travellers. As surprising as it may sound, you can also find Indian cuisine available in this wonderful island.



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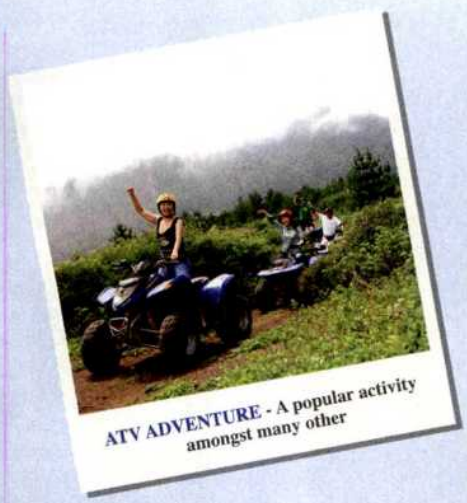
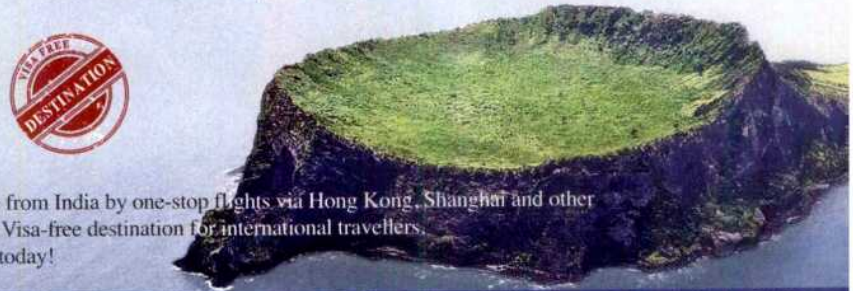


**ATV ADVENTURE - A popular activity amongst many other**

## {RECREATION HEAVEN}

Excitement begins the moment you set foot on the island of Jeju with numerous Theme parks, Museums, Clubs, Bars and Casinos ready to welcome you with open arms. Jeju has a lot of unique sports options to offer visitors including hiking, which is also a must-do during the stay at the island. There's everything from scuba diving to windsurfing and paragliding. The island's stunning scenery and well-laid-out roads make biking a very popular sport for travelers from across the world. While in Jeju, a group cannot miss out on a visit to the 'Love Land' - perhaps the only of its kind outdoor erotic theme park in the world.




## {CLOSER THAN YOU THINK}

Jeju Island is very travel friendly and easily accessible from India by one-stop flights via Hong Kong, Shanghai and other international destinations. To top it all, Jeju Island is a Visa-free destination for international travellers.
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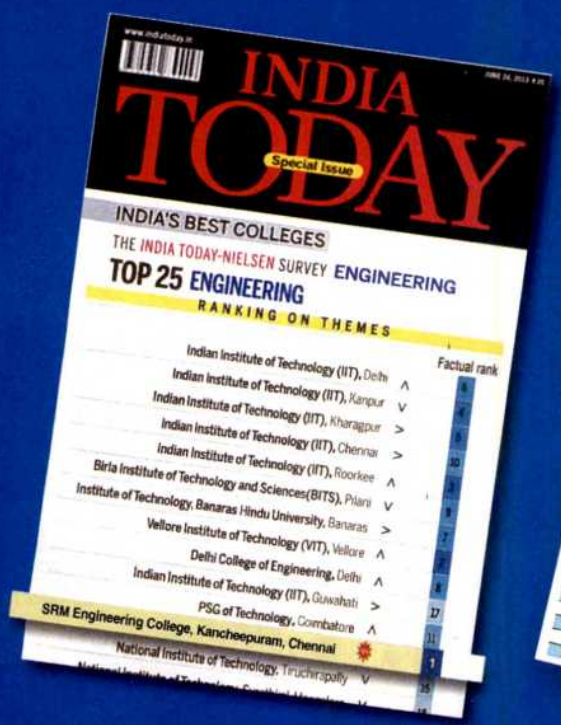


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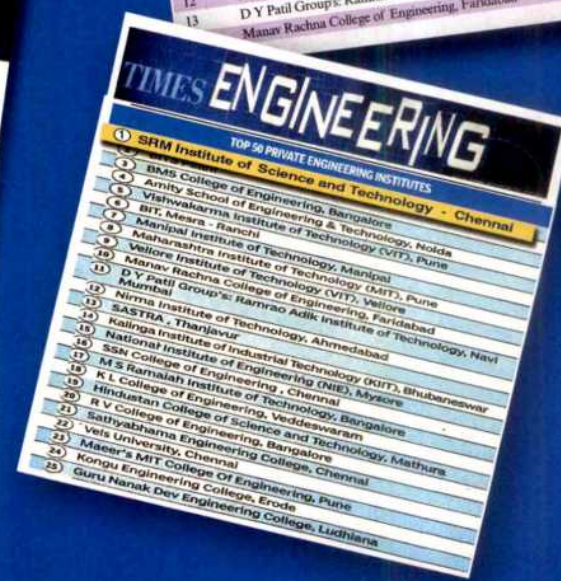


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# From the Editor

# Have Money, Will Spend

The consensus among businessmen and economists is that while some improvements have taken place, *acche din* are definitely quite some time away. Businessmen are still cautious about putting money in big, Greenfield projects – they would rather buy existing businesses and plants looking to sell. The real estate sector is still stagnant. Exports have been falling steadily despite the rupee falling vis-a-vis the dollar and, therefore, making some of our products and services more competitive. Hiring might be up in a few sectors, but not in any large numbers, and ditto for salaries. The past two quarters have seen profits getting squeezed, though revenue may be picking up. Though the data has not come out yet, many retailers say that the urban middle class is still postponing big-ticket purchases. Meanwhile, there is some evidence to suggest that rural income and rural consumption are slowing down.

There is one segment of the market that is completely unaffected by the gloom and doom of other sectors. The purveyors of luxury are not only seeing no slowdown, but many of them also say that the demand for luxury goods and services is growing at a fast clip. The merchants of luxury are notoriously cagey about sharing any numbers, but there are plenty of signs that they have nothing to worry about so far. Luxury car manufacturers – Mercedes, BMW, Audi and Jaguar Land Rover – have collectively seen sales increase year after year in the country. Sales of top-end luxury housing continue to show robust demand – especially in Mumbai and Delhi. A sea-facing triplex in Mumbai's tony Napean Sea Road recently changed hands for ₹202 crore, setting a new benchmark. Meanwhile, the Essel Group in Delhi is reported to have picked up a bungalow in the coveted Lutyens Bungalow zone for over ₹300 crore. The big fat Indian weddings are becoming even bigger and fatter, with industrialists spending upwards of ₹50 crore or even ₹100 crore to start off their children's marriages with the proper bang. Fine wines and Single Malt whiskies are selling quite briskly. And on any given day, you will find it difficult to find a parking place easily near DLF Emporio in Delhi, the mall that houses a number of luxury brand retailers.

What is behind the good times in the luxury segment? Well, for one, the rich keep getting richer, and the ranks of the super wealthy keep increasing, whether the overall economy is doing well or not. Two, a new group of young and recently rich consumers has come into the market – digital entrepreneurs well-funded by VCs are living the good life even as they are disrupting many a marketplace. Third, the love for lavish weddings is driving huge consumption in every sort of product and service from luxury liquor to Swarovski crystals and super premium cars.

Our annual luxury issue this year has been anchored by Deputy Editor Chitra Narayanan and Senior Editor Goutam Das. The entire *Business Today* team also chipped in, while our Art Editor Safia Zahid and Deputy Art Director Anand Kumar Sinha worked with Photo Editor Vivan Mehra and his deputy Shekhar Kumar Ghosh to give the issue a proper luxurious feel.

I hope you enjoy the issue as much as Team *BT* enjoyed putting it together...

Prosenjit Datta

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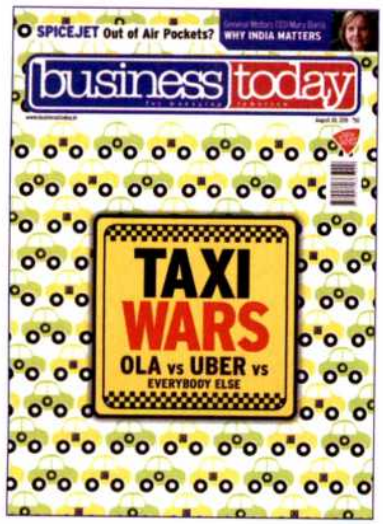


## Rental Cab Market Growing at Fast Pace

This refers to your cover story on cab aggregators (*Taxi Wars*, August 30). The author has well analysed how companies such as Ola, TaxiForSure, Uber and Meru are in demand for their cab services in India where the transport infrastructure is still in a bad shape. It indicates that Indian rental cab market is evolving at a fast pace. These tech-savvy companies' on-demand services and low fares have fuelled the boom in the taxi market. As intense competition among these companies has brought fares down, it is surely beneficial for consumers. But how long can such prices be sustained, only time will tell.

**Abhinav P.**, *New Delhi*

## Invest in Stocks with Care

This refers to your article on the recent trend in the stock market (*Tread with Caution*, August 30). The Indian market has been very volatile for the past few months, and this trend is expected to continue for another few months. The slowdown in the Chinese economy and its recent decision to devalue the yuan against the dollar has had far-reaching global implications. It has also had an adverse effect on India with the rupee weakening against the dollar. Movement in the Indian stock market will probably be dictated by foreign fund flows and global developments. Clearly, equity investors should trade in the market very carefully.

**Ankur Chopra**, *Pune*

## Yoga a Must for a Cheerful Mind

This refers to your feature on Hippocampus learning centres (*Moulding Young Minds*, August 16). The children must be empowered through education to improve the society. Nowadays, hardly any person understands the basic purpose of education, which is to think logically and take the right decisions in life. It is painful to say that at present the sole purpose of education for the young minds is how to earn quick money in large amount. But for a healthy body and mind, yoga and meditation training is a must in school syllabus.

**Mahesh Kapasi**, *New Delhi*

## Improving the Economy's Health

This is with reference to an article on asset reconstruction companies (*Money from Junk*, August 2). It was very interesting to read. The necessity of a ARC and its leverage have been well monitored and presented. In an environment where the banking companies are carrying such a huge weight on the negative balance sheet, the displacement option works fine for both the bank as well as the ARC. The participation of ARC in the banks' lending panel and sharing their expertise can improve the health of the economy.

**Muthuraman. K.M.**, *Chennai*

## Correction

The article *Playing Hardware Hardball* (page 69, August 30) misstated that Mango Man is developing music streaming and home audio devices. The company has no such plans.

*Send all your comments to:* editor.bt@intoday.com

www.twitter.com/bt_india

**Rupee sinks to two-year low at 65.40 against dollar.**
Closer friends we become with the US, the less our money is worth. - **Renaissance Yoga**, *@renyoga*

**Reforms process is "not a single-day story", says Minister of State for Finance Jayant Sinha.**
But we waited for a year, still there is no reforms. It is finance ministry's worst performance. - **Wagle Ki Duniya**, *@rajyashw*

**Private bank officers form union, to join strike on September 2.**
Since it is a money matter, whether private or PSU bank, their employees will strike and definitely gain something. - **Udai Kumar Bakshi**, *@bakshi_udai*

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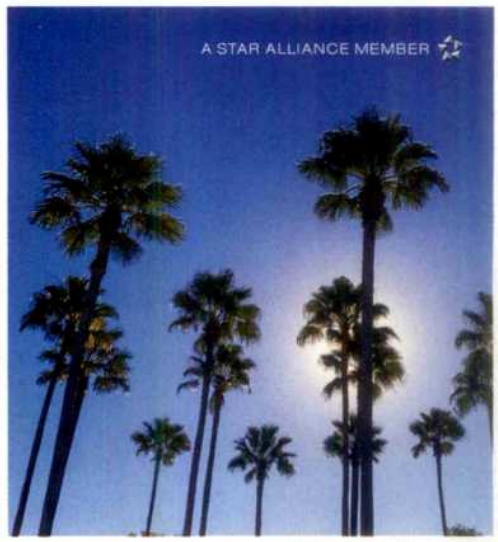

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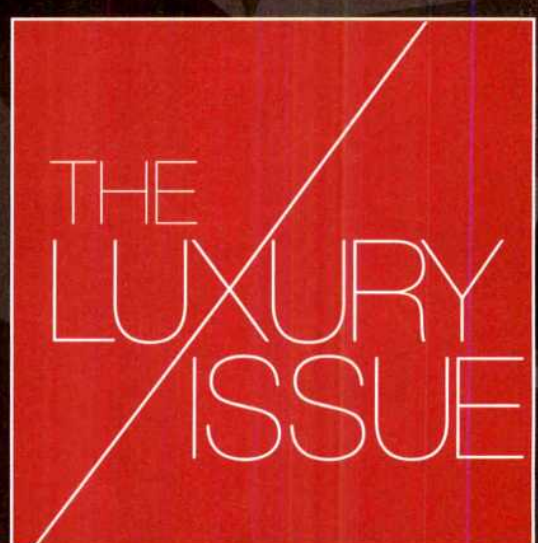


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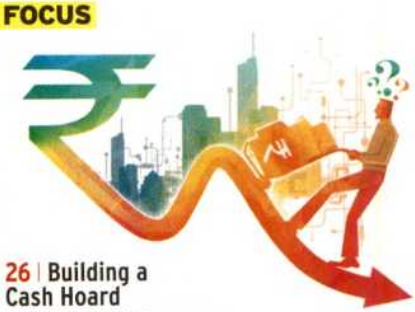

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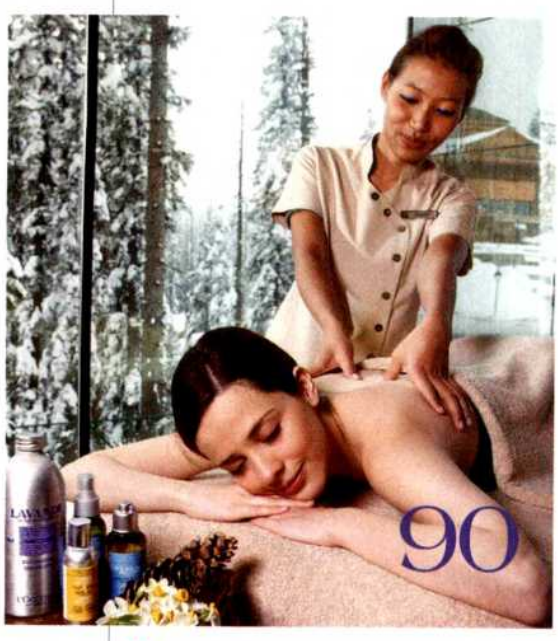


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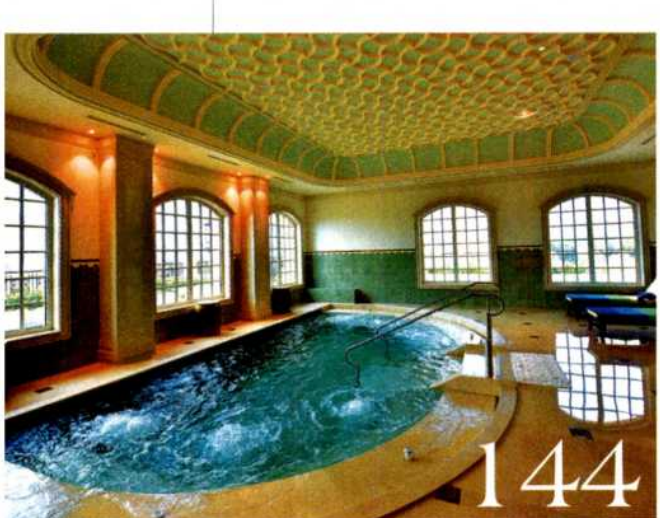

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AJAY THAKURI

"The Congress party does not want the economy to grow"

Finance Minister Arun Jaitley, while moving the GST Bill in Parliament

"It was the BJP which opposed the GST and leading the charge was the then Gujarat Chief Minister [Narendra] Modi. Jaitley and Sushma Swaraj also opposed it"

Congress spokesperson Anand Sharma

*"[The article] claims that our intentional approach is to create a soulless, dystopian workplace where no fun is had and no laughter heard. I don't recognise this Amazon and I very much hope you don't, either... I strongly believe that anyone working in a company that really is like the one described in the NYT would be crazy to stay. I know I would leave such a company"*

Amazon founder and CEO Jeff Bezos, who is worth $49.5 billion, in an email to staff after a New York Times exposé of the company's working practices

Nestlé

**₹640 CRORE**

Amount Indian government has asked Nestle to pay in its class action suit, citing unfair trade practices and sale of defective goods. Nestle is the first foreign firm to be asked to pay damages on behalf of consumers. The Bombay High Court quashed the food regulator's ban on the popular Maggi noodles, but asked Nestle to conduct fresh tests in view of public health concerns

**$26.55 BILLION**

Cost of 250 Airbus A320neo aircraft being purchased by IndiGo, India's biggest airline by market share. This will be the European company's largest-ever order by number of planes. India's air travel market is set to become the third-largest around 2031, according to the International Air Transport Association

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## FOCUS ON FARM

**WHAT:** NITI Aayog farm panel report
**WHEN:** By August-end

**WHAT TO LOOK FOR:** The national task force on agriculture under the NITI Aayog, headed by its Vice Chairman Arvind Panagariya, is set to give policy recommendations on land, national common market, crop prices, fertiliser use, seeds and genetically modified technology and agrarian distress. The growth rate in agriculture is estimated at 0.2 per cent in 2014/15 as compared to 3.7 per cent the previous year.

AJAY THAKURI

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## TOP LNG DEAL

**WHAT:** Royal Dutch Shell-BG Group deal
**WHEN:** By September 2

**WHAT TO LOOK FOR:** European Union's anti-trust regulators will decide by September 2 whether to approve Shell's planned £47 billion ($73.25 billion) buy of BG Group to become the world's top liquefied natural gas company. The deal, which will help Shell compete better with world No. 1 oil major ExxonMobil, has already received the green light from regulators in the United States, Brazil and South Korea.

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## BRICS BUSINESS

**WHAT:** BRICS Meet
**WHEN:** September 9
**WHERE:** Dubai Multi Commodities Centre

**WHAT TO LOOK FOR:** Dubai will host, for the first time, a business forum of BRICS nations to provide opportunities for greater economic collaboration between the countries of the five-member grouping.

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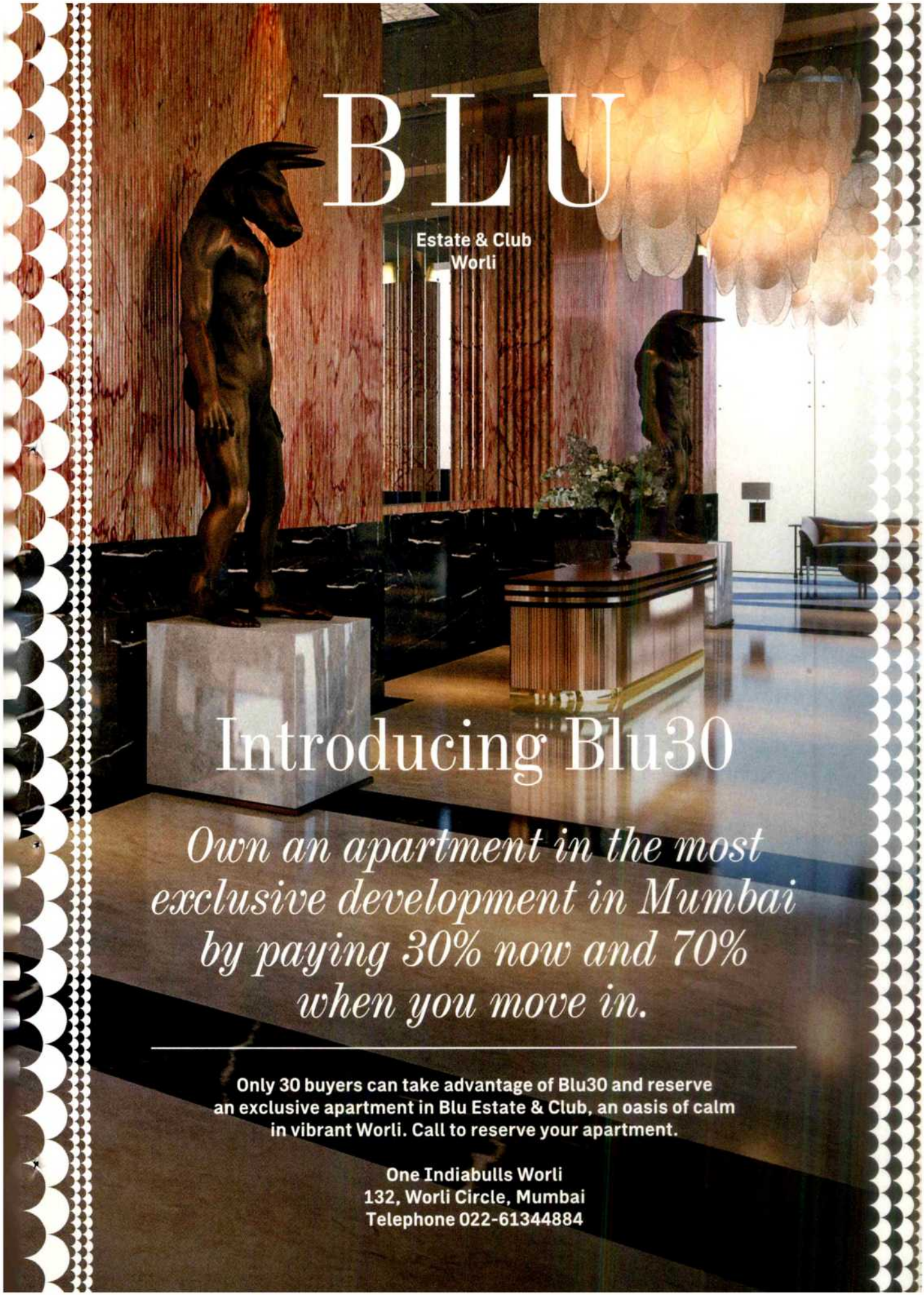
## TAXING MATTERS

**WHAT:** Income-tax returns
**WHEN:** By August 31

**WHAT TO LOOK FOR:** You are required to give bank details of all your bank accounts which are held at any time during the previous year. Under the new provisions, you do not need to separately post ITR V for acknowledgement purpose to the income tax office if you give your Aadhaar number in the ITR form.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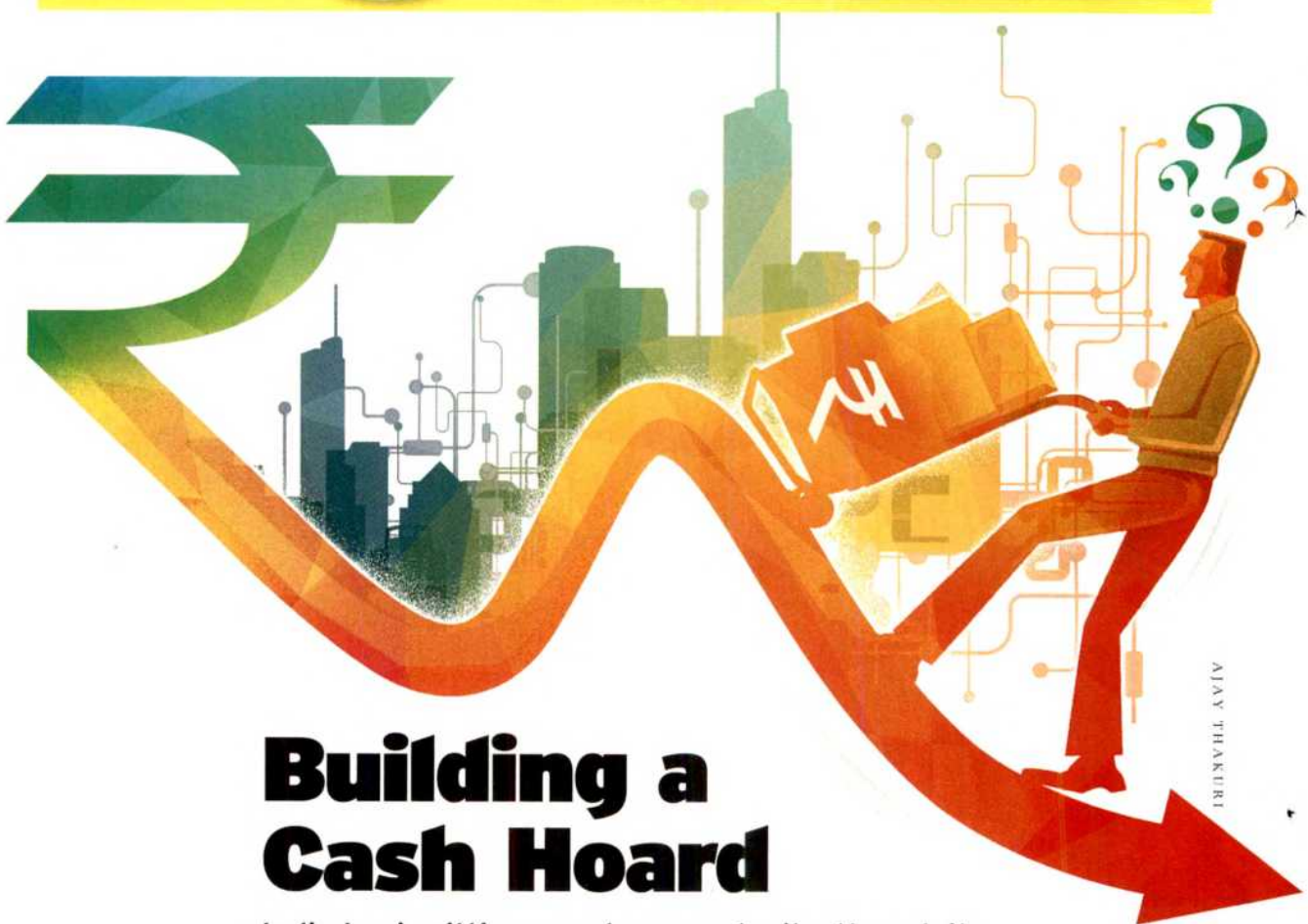


AJAY THAKURI

# Building a Cash Hoard

**India Inc is sitting on a huge cash pile, though its cash-generating capacity has been falling.** By JYOTINDRA DUBEY

**12%**

**Rise in the free cash reserves of 247 companies in the BSE 500 Index**

Cash is king" is an old saying in the corporate world. A company that just focuses on increasing revenues without enough cash generation can land in trouble. However, India Inc seems to be doing rather well on this front, notwithstanding the huge pressure on bottom lines.

Cash can flow into a company in the form of debt, equity or retained profits. The most desirable is free cash reserves that are accumulated by retaining profits. The BSE 500 companies (excluding banks and financial services companies) were sitting on a cash pile of ₹16,15,480 crore as on March 2014, 11 per cent more than in the previous year. Though this growth rate was a five-year low, it was not bad if we consider that the top-line growth for the sample was just 8 per cent. The trend continues in 2014/15 as well. If we analyse 247 companies in the BSE 500 Index (excluding banks and financial services companies) which have released their annual reports for

2014/15, free cash reserves grew 12 per cent to ₹9,58,281 crore year-on-year. This is much higher than the 2.3 per cent rise in top line during the period.

## Cash Cows

One reason for this cash pile-up is the economic slowdown over the last few years that has made companies go slow on their investment plans. The company with most free cash reserves is Reliance Industries (RIL). It had free cash reserves of ₹1,63,378 crore as on March 2015, up 13 per cent from March 2014. It added ₹18,800 crore to its kitty in spite of the 15 per cent plunge in top line in 2014/15. Bharti Airtel is the next in line with free cash reserves of ₹62,902 crore, 23 per cent more than in March 2014; it grew its top line by 19 per cent. Bharti is followed by Tata Steel with ₹45,500 crore, Infosys ₹44,660 crore and Tata Consultancy Services (TCS) with ₹42,832 crore. Public sector enterprises usually stand out in this aspect. But we could not analyse their numbers as they are yet to release their annual reports for 2014/15.

## Debt Worry

Close to 70 per cent companies we analysed had a surplus, that is, more cash than debt. RIL's free cash reserves are marginally more than the debt on its books. Bharti Airtel has a huge surplus. Infosys is debt-free while TCS has nominal debt on its books. Both have huge surpluses.

One fact that stands out is the worrying decline in the cash generating capacity of India Inc over the last few years. Net cash flow from operations of the sample fell almost 5 per cent in 2014/15. For RIL, cash flow from operations was just 9 per cent of income in 2014/15, down from 14 per cent in 2010/11. For Bharti Airtel, this worsened from 34.5 per cent to 29.5 per cent. Tata Steel saw the steepest fall. Its operating cash flow to income ratio was 25 per cent in 2010/11. This more than halved to 9.5 per cent in 2014/15. For Infosys and TCS, the ratio has been more or less stagnant since 2010/11.

But one has to be careful while analysing these data. "The aggregate data on cash accumulation can be misleading. The bulk of cash is with the top few companies (with negligible leverage). If we leave them out, the majority of Indian companies are suffering from high leverage. Their cash flow margins are suffering from low EBITDA and high interest expenses," says Deep N. Mukherjee, Senior Director – Corporates, India Ratings & Research.

If we look at the Reserve Bank of India data, the capacity utilisation of Indian companies is just 71 per cent due to muted demand. "The few companies which have adequate cash reserves thus lack any motivation to invest. The remaining set is not generating enough cash to expand."

The pharmaceutical industry added the most free cash reserves (up 16.2 per cent). It also saw a robust 37.4 per cent increase in net cash flow from operations. Its total income grew only 8.4 per cent. It was followed by FMCG and IT/ITeS sectors, which saw 15.5 per cent and 14.3 per cent increase in net cash flow from operations, respectively, in 2014/15.

The infrastructure sector saw a massive 60.5 per cent decline in net cash flow from operations. Its top line fell 3.5 per cent. The automobile sector's net cash flow from operations fell 25 per cent despite income rising by 7.08 per cent.

"In real estate, construction and power sectors, elongation of the working capital cycle has put pressure on operating cash flows. Also, in several cases, companies undertook huge capital expenditure anticipating that the demand growth seen in 2009/10 and 2010/11 would continue. Since the demand has turned for the worse, cash flows from these projects and consequently the ability of companies to service debt has gone down," says Prasad Koparkar, Senior Director, CRISIL Ratings. ◆

@jyotindradubey

### THE CASH CUSHION

India Inc generated comfortable free cash reserves in 2014/15

| | Y-O-Y % GROWTH | Y-O-Y % GROWTH | Y-O-Y % GROWTH |
|---|---|---|---|
| SECTORS* | FREE RESERVES | NET CFO | TOTAL INCOME |
| Automobile | 11.75 | -25.12 | 7.08 |
| Capital Goods | 10.37 | -3.8 | 6.4 |
| Pharmaceutical | 16.2 | 37.4 | 8.4 |
| Infrastructure | -1.12 | -60.5 | -3.5 |
| FMCG | 17.7 | 15.5 | 9.4 |
| Oil, Gas and Power | 10.5 | -23.9 | -10.11 |
| IT & ITES | 10.8 | 14.3 | 11.07 |

*Sample of 247 companies out of BSE 500 Index (excluding banking and financial services companies) which have released their annual reports; CFO is cash from operations; Source: CMIE Prowess;

### SLOWING DOWN

Growth of free cash reserve addition has been falling over the years

| BSE 500 COMPANIES* | 2011/12 (Y-O-Y % GROWTH) | 2012/13 (Y-O-Y % GROWTH) | 2013/14 (Y-O-Y % GROWTH) |
|---|---|---|---|
| Free cash reserves | 14.7 | 12.7 | 11.1 |
| Total Income | 20.4 | 10.7 | 8.1 |
| Debt | 19.4 | 13.4 | 13.3 |

*Excluding banking and Financial services companies; Source: CMIE Prowess

# Bridging the Gulf

## The $75-billion UAE-India fund could be the answer to India's infrastructure funding gap. By JOE C. MATHEW

Prime Minister Narendra Modi (R) with Mohamed Bin Zayed Al Nahyan, Crown Prince of the UAE

As far as commitments to invest in India go, Prime Minister Narendra Modi appears to have persuaded each of the wealthier nations he has visited to promise investment of billions of dollars into India.

In the past year, the US has committed $41 billion, Japan has laid out a $35-billion plan, China $20 billion, and now the biggest of all, $75 billion, has been promised by the United Arab Emirates (UAE) as its investment target for India. While all these countries have strong reasons to participate in India's growth story, thereby justifying their investment commitments, in reality only a fraction of the total commitment ever makes it to the country. Except in the case of Japan, which spotted the India opportunity three decades ago, well ahead of any other country. Now, the UAE may also turn out to be a pleasant surprise, especially since the US and China still have to deal with their own economic woes.

That is because unlike many investment commitments announced during high-profile visits of country heads, the UAE commitment is not linked to the investment proposals of individual companies based out of those countries. Nor does it seem to be completely tied to any projects that need to be awarded to some specific entities. It looks very much like a pure investment plan.

The $75-billion UAE-India Infrastructure Investment Fund can be the ideal vehicle for the cash-rich Arab country to co-invest in India's National Investment and Infrastructure Fund (NIIF). The rationale behind the launch of the NIIF with a ₹20,000 crore corpus as equity was to allow generation of three to four times that equity from outside, including the likes of UAE-India Infrastructure Fund to support new infrastructure projects and finance stalled ones. Direct equity flows from the UAE have, otherwise, been minimal. During the last 15 years only $3 billion, accounting for just 1.21 per cent of India's total foreign equity inflows came from that country.

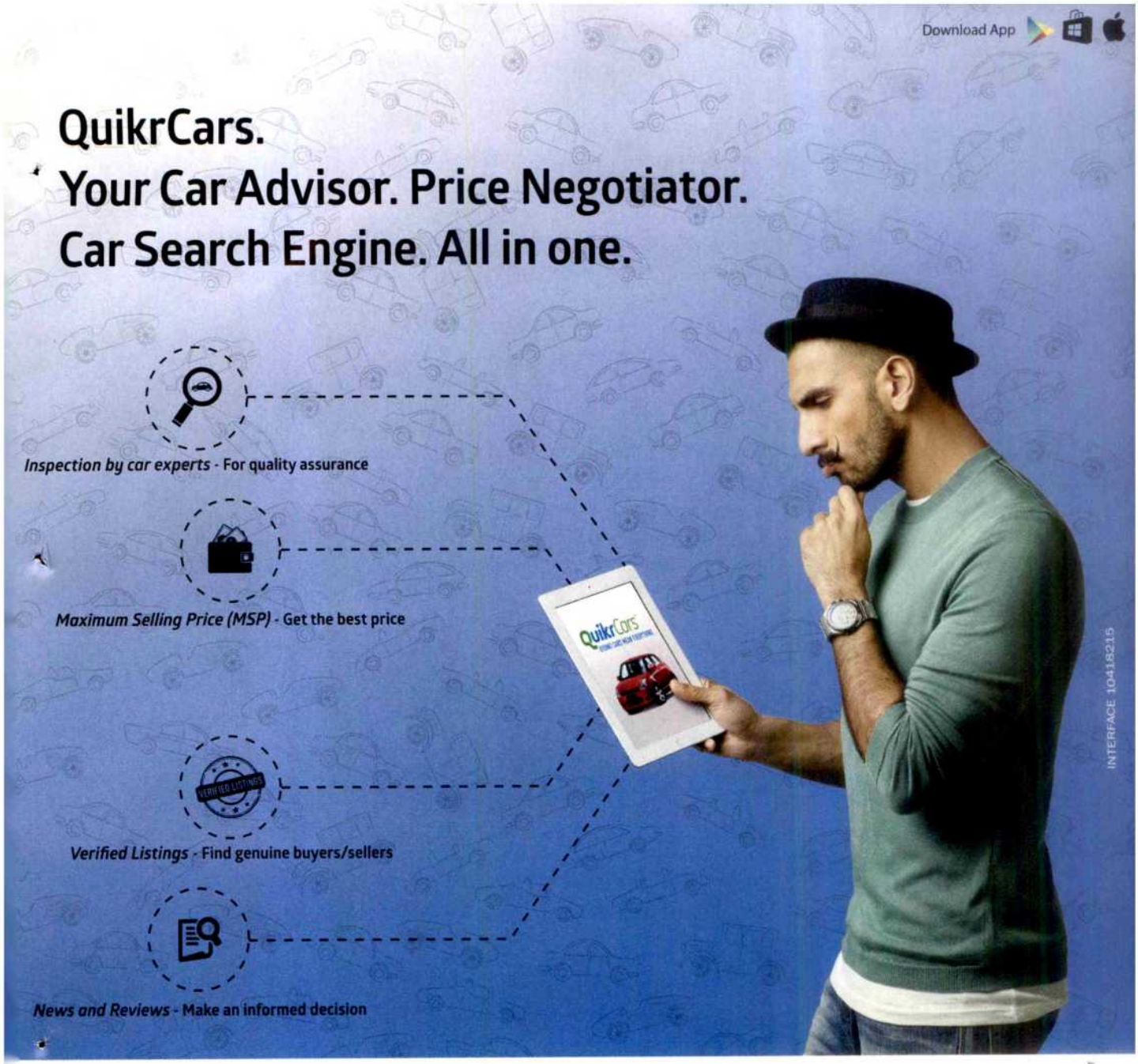
The UAE-India fund targets investments in India's next-generation infrastructure which includes smart cities, industrial corridors and high-speed rail networks – a perfect fit as far as the Modi government's infrastructure development plans go. Also, the UAE, and perhaps Japan to a certain extent, is among the few countries sitting on a cash pile, eager to invest in long-gestation projects in key countries.

With bilateral trade amounting to $361 billion, the UAE was the third-largest trade partner of India in 2014/15. China and the US, with $443 billion and $393 billion worth of bilateral trade, respectively, in 2014/15, were India's top two trading partners.

Improvement in India's infrastructure - railways, ports, roads, airports and industrial corridors and parks – can only enhance India's trade with all three nations. But not many can afford to loosen their purse strings as the UAE is apparently trying to do. ◆

**THE UAE IS AMONG THE FEW NATIONS SITTING ON A CASH PILE, EAGER TO INVEST IN LONG-GESTATION PROJECTS IN KEY COUNTRIES**

*@joecmathew*

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# Changing the Game

## The RBI is experimenting with players from diverse areas to push its financial inclusion plan. Will it succeed? By ANAND ADHIKARI

Vodafone's mobile money transfer service, M-Pesa, began as an experiment in Kenya in 2007. Today, M-Pesa transfers cash via mobile phones in a host of under-banked countries such as Afghanistan and Tanzania.

The Reserve Bank of India (RBI) wants to replicate this model in India. It has given licences to 11 entities for opening payments banks to widen the financial inclusion net and bring small payments like remittances, utility bills, mobile recharge, cab fare, ticketing, etc, under the digital umbrella.

AJAY THAKURI

Regional rural banks and co-operative banks have been present in rural and semi-urban areas for decades. Still, half the country's population does not have access to a bank. The heavy reliance on cash in the system is also creating headache as it encourages black money. This is where payments banks will come in. These new lenders are not allowed to lend but can accept deposits up to ₹1 lakh and park these in government securities, making a margin of three to four per cent.

State Bank of India chief Arundhati Bhattacharya, whose bank has joined hands with Reliance Industries to set up a payments bank, says this is an experiment to deepen the penetration of banking services and encourage digital transactions.

The diverse background of selected players – from Sun Pharmaceutical promoter Dilip Sanghvi to IT firm Tech Mahindra – hints at the experimental nature of the licenses under the RBI's differentiated banking approach. Clearly, RBI Governor Raghuram Rajan would want to see the most successful likely model in the future. India Post, for instance, has the widest network in pooling savings while FINO PayTech is probably the only one with experience of serving the poorest of the poor as a banking correspondent of state-run banks. But not everyone is convinced. "We are shocked to find amongst the selected players some who have done little work in the financial inclusion space, the key objective in the guidelines," says Pramod Saxena, Chairman of Oxigen Services, a payments solutions provider.

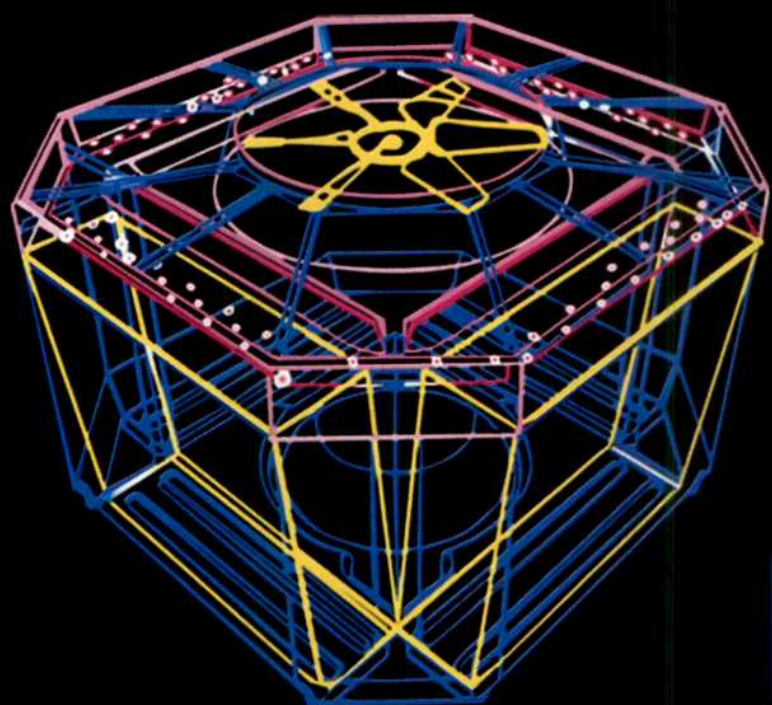
**THE SUCCESS OF PAYMENT BANKS WOULD BE JUDGED BY HOW WELL THEY FACILITATE THE LAST-MILE ACCESS IN UNBANKED AREAS**

Without doubt, the new lenders will bring competition to universal banks. Their success would be judged by how well they facilitate the last-mile access in unbanked areas. They will also be judged on how they use technology to enable payments of high-volume but low-margin transactions like an electricity bill or mobile recharge. Above all, they must keep costs low as they are barred from lending.

If this experiment succeeds, the banking system would be the biggest beneficiary. "Today, many cash transactions don't leave any footprints, which makes it difficult to trace or tax them. Electronic footprints will provide a better tool to gauge such transactions," says Bhattacharya. Clearly, a lot is riding on the payments bank. The time starts now.◆

@anandadhikari

# The Series OXF-30K



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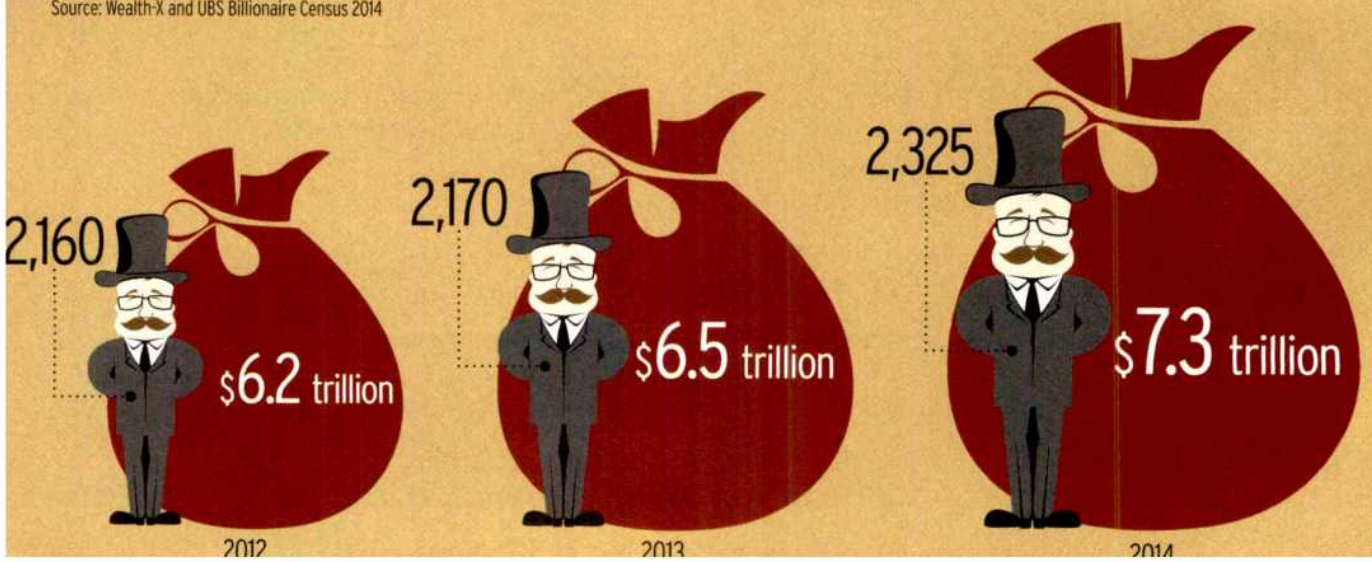
# THE BILLIONAIRES CLUB

The number of billionaires is growing at a steady pace. As the number of superrich increases, the market for ultra-luxury housing, yachts and private jets is growing as well.

Graphic by: **Anand Sinha** Research by: **Niti Kiran**

The billionaire population grew seven per cent to reach 2,325, an all-time high, between July 2013 and June 2014, and their combined wealth increased 12 per cent to **$7.3 trillion**

Source: Wealth-X and UBS Billionaire Census 2014



## The US houses more billionaires than the next four countries – China, the UK, Germany, and Russia – combined

| | US | CHINA | UK | GERMANY | RUSSIA | INDIA |
|---|---|---|---|---|---|---|
| No. of Billionaires | 571 | 190 | 130 | 123 | 114 | 100 |
| Total Wealth | $2,266 bn | $440 bn | $395 bn | $413 bn | $365 bn | $175 bn |

Figures are for 2014

## Hot money chases hot property. In 2014, five properties changed hands for above $100 million

| LOCATION | SALE PRICE (Publicly Reported) | HOME TYPE |
|---|---|---|
| London | $221 mn | New development |
| Costa Smeralda, Sardinia | $168 mn | Single-family home |
| Skorpios, Greece | $150 mn | Private island |
| East Hampton, New York | $147 mn | Single-family home |
| Saint-Jean-Cap-Ferrat, France | $146 mn | Single-family home |
| London | $121.2 mn | Single-family home |
| Greenwich, Connecticut | $120 mn | Single-family home |
| Woodside, California | $117.5 mn | Single-family home |
| Hong Kong | $104.15 mn | Single-family home |
| Hong Kong | $102.8 mn | New development |

Properties sold for more than $100 million since 2010. Several other sales had been reported in the press at this price point, but were not recorded through government regulatory boards (e.g. Land Registry in the UK) and were thus not included in this list. Source: Christie's International Real Estate

# 60%

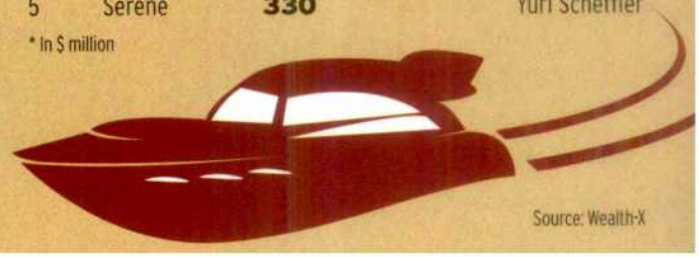
of the private-jet traffic starts and ends in the US while Europe is the No. 2 market

Source: Wealth report by Knight Frank

## Billionaires in Gulf and Russia have an affinity for yachts. Nine out of 10 costliest yachts in the world are owned by them. The top five:

| RANK | YACHT NAME | PRICE* | OWNER |
|---|---|---|---|
| 1 | Eclipse | 1,000 | Roman Abramovich |
| 2 | Azzam | 600 | Khalifa Bin Zayed Bin Sultan Bin Zayed Al Nahyan |
| 3 | Topaz | 520 | Mansour Bin Zayed Al Nahyan |
| 4 | A | 390 | Andrey Melnichenko |
| 5 | Serene | 330 | Yuri Scheffler |

* In $ million



Source: Wealth-X

WHAT'S TRENDING

# DIGITAL HANGOUTS FOR *MILLIONAIRES*

While the plebs throng Facebook, the rich have their own exclusive networking clubs on the Internet for which entry is by invitation.

**By CHITRA NARAYANAN**

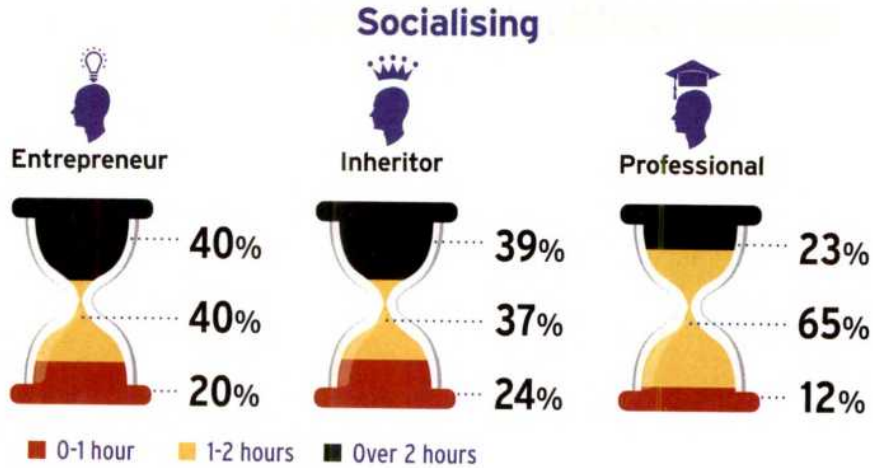
It's amazing how the Internet mimics the real world. Just as there are elite exclusive clubs where admission is reserved for the wealthy set, a host of social networks out there on the web have no room for plebeians and are the hangout of the rich and famous.

There are quite a few elite clubs out there vying to woo the wealthy into their sites, but not all have met with success. Take the way

DIGITAL DASHBOARD

## What Indian HNIs do Online

ONLINE SHOPPING IS GAINING MOMENTUM AMONG ULTRA HNIs



RAJ VERMA

Netropolitan Club, a network where people had to pay $9,000 for membership cropped up in 2014, creating quite a buzz. A year later, it has closed its shutters citing lack of interest in its service. Enter the site, and you find a note from its founder James Touchi-Peters about the closure and the fact that all those who signed up have been refunded.

But some of the early elite clubs still remain. In fact, elite networking zones on the Internet came up the same year that the world's largest social network Facebook was set up. ASMALLWORLD (ASW) founded in 2004 was the earliest private social network for the elite.

Founded by Count Erik Wilhelm Wachtmeister, a Swedish Internet entrepreneur, it was dubbed as Myspace for Millionaires when it launched. Although membership was free, it was on an invite only basis – though it rose to nearly 500,000 users. In 2010 he sold off his stake in the company and went on to form another elite social network called Best of All Worlds financed by VCs and wealthy investors from the Middle East.

Meanwhile, ASW under the new investors reinvented itself as an international lifestyle club for like-minded globe-trotting people. It has become a paid subscription site and cut down its membership capping it at 250,000 to maintain its exclusivity. It keeps its members posted on events to attend and people to meet and provides detailed city guides listing the posh hang-outs of an area.

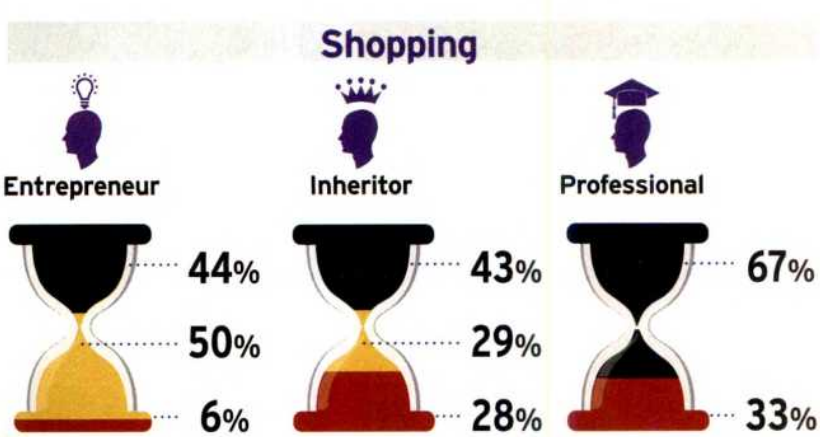
Other elite networks to make a splash include ELEQT, which has a free membership – albeit obtained only through an invitation – as well as a paid premium membership for which one has to fork out $5,000. ELEQT has already spread itself to 15 cities and has ambitions to spread further.

Then there is Elixio, a network connecting executive level professionals – a sort of LinkedIn for the elite – into which you can get in only through a corporate email ID.

Meanwhile, Facebook recently created an elite enclave within its Live application, a video streaming platform that is exclusive only to famous people.

Did anyone say Internet democracy! What's that? ◆

*@ndcnn*




Average time spent per week
Source: Top of the Pyramid 2015, Kotak Wealth Management

## LISTENING POST

These days everything is available at the click of a smartphone – can luxury services be far behind?

### POP THE BUBBLY

If you are in London and craving some champagne, you should think of downloading taxi app Gett, which provides the bubbly spirit too. In select parts of London, the taxi app promises to reach you a chilled bottle of Veuve Clicquot within 10 minutes at a cost of £50 – a £10 mark up over the retail price. Gett uses an innovative delivery system – it is getting its apprentice cab drivers who are required to move around London on scooters to memorise routes to deliver the champagne. Talk of killing two birds with one stone!

### THE MILLIONAIRE'S APP

For ultra HNIs, VIP Black is a pretty useful app to have. This exclusive app allows itself to be downloaded only if a user proves he or she has assets over £1 million. Once registered, users can book private yachts, jets, island and more. Of course, the app is not for free - it costs $999.99 for a download on iOS.

### GETTING YOUR WINES RIGHT

Does the wine list at restaurants confuse you? Help is at hand with the Wine Spectator, an app that features over 300,000 reviews and gives you a lowdown on all sorts of wine. From which wine for a particular occasion to which one will pair well with the food you order, the app helps you order right.

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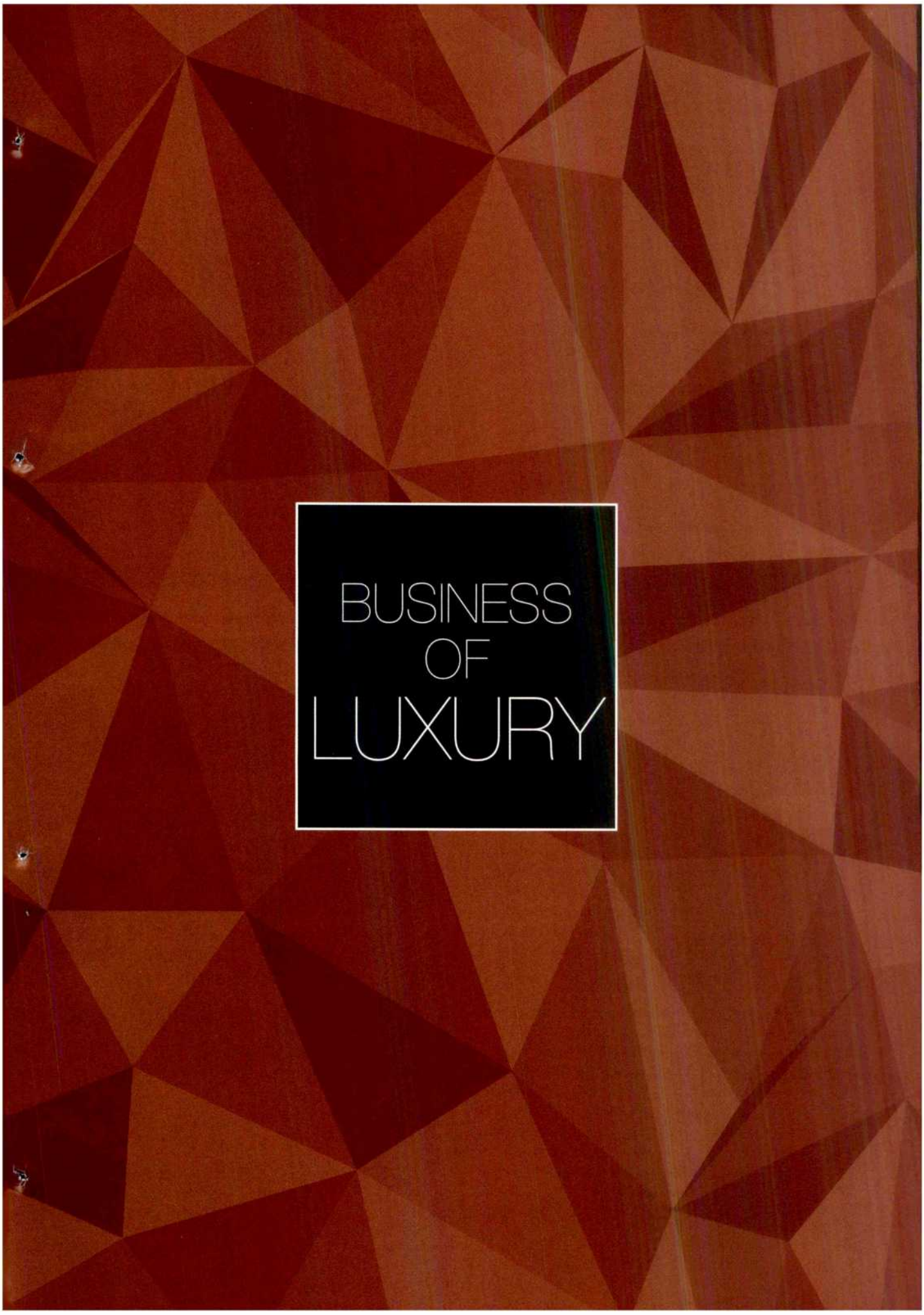

BUSINESS
OF
LUXURY

# LUX REDUX: Six Drivers of Growth

EMERGING OUT OF THE SHADOWS OF A SLOWDOWN, THE LUXURY MARKET IS A BUNDLE OF CONTRADICTIONS TODAY. WE SHINE A TORCHLIGHT ON THE WAY FORWARD. **BY CHITRA NARAYANAN**

A lovely waterfront retreat in Goa with a private motor yacht moored to the sides, a large eclectic art collection, a house in Delhi's tony Sundar Nagar and a farmhouse in the making at Chhattarpur. On the surface, Arjun Sharma, the 48-year-old Chairman of Select Group, who takes exotic holidays with his wife, former model Jyotsna Sharma, and wears designer wear with elan, seems to be surrounded by all the trappings that money can buy. But beneath that luxurious veneer lie the odd twinges of discomfort. For a man who promotes material spending in a big way – he runs the happening Select City Walk mall in Delhi - Sharma talks about the need to cut back. "It may sound like a contradiction when I say it. But the consumption story has to come down," he says.

To conquer his guilt every time he buys something new, he says, he gives away two. He and his wife fund a large number of charities – and his travel company Le Passage to India has a wing called Shaping Lives devoted to volunteer tourism. He talks passionately about organic food, and, pointing to the art on his walls, says he never buys extravagantly-priced works, but promotes newer artists. His new home in Chattarpur will be eco-friendly with active ceramic tiles that absorb pollution and solar panels that minimise energy consumption. "I want to give my family some intergenerational equity – clean air, clean water, clean energy," he says.

### New Boys on the Block

Sharma is one example of the emerging new wealthy consumer for whom luxury is necessary, but pompous splendour is not. But there are others treading different consumption paths. Just last month, at the wedding of a scion of a top industrialist in NCR, the liquor bill alone ran into ₹1 crore, with the most expensive of all champagnes (Louis Roderer Cristal) uncorked and pricey single malts flowing like water.

Then, there are the CEOs of young e-commerce start-ups who have suddenly come into millions with venture funding and can be seen zipping around in Mumbai and Bangalore in their newly-acquired BMWs. In Delhi, young lawyers can also be seen in flashy Audis, lunching at fine dining outlets at Cyber Hub, and partying in the evening at five star bars.

**DRIVERS OF GROWTH**

**Thoughtful Luxury**
Conscientious consumption is all the rage now

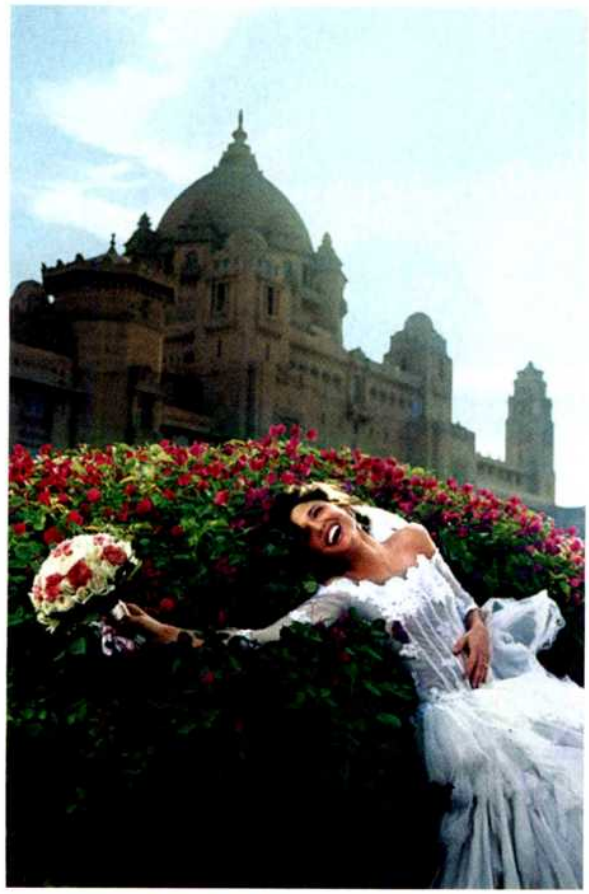
**One Size No Longer Fits All**
Cater to the millennials and how

**Bridge Luxury**
Say yes to affordable luxury

**Wedding Luxury**
Opulence rules, always

**Made in India**
Localisation is the new luxe story

**Experiential Luxury**
It's all about the importance of Being



A Marketer's Match: The wedding market is the only one where high levels of spends are seen

Then again, there are others, such as the 40-something CEO in Bangalore with a fancy salary, who can afford to splurge on top-end luxe products but chooses instead to invest in a farm on the outskirts of the Garden city and spends his weekends growing tomatoes. Luxury for him is more about experiences such as jetting off on holidays with his family to New Zealand or Machu Pichu.

Dilip Puri, Managing Director, India of Starwood Hotels & Resorts, which will be launching its poshest hotel St. Regis in India next month, admits: "People are changing in what they want from a luxury standpoint today." Puri says most people today want experiences, there is a focus on restraint, discretion and privacy.

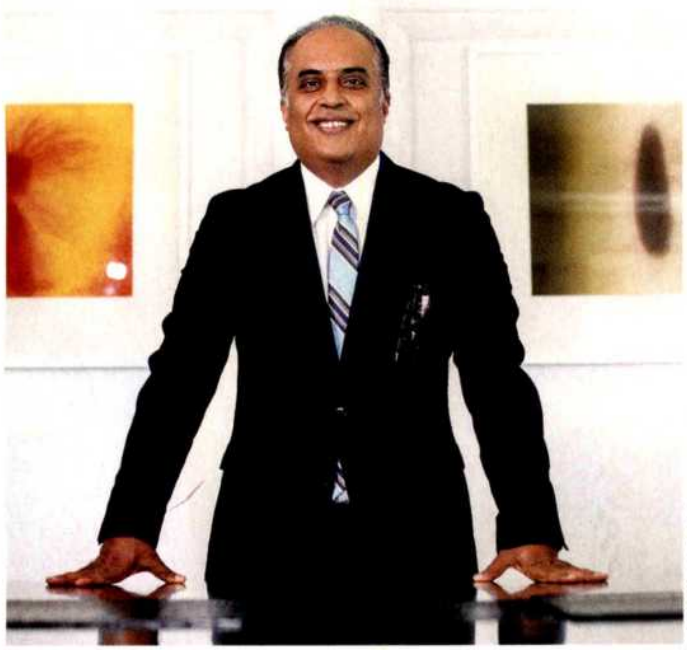
Meanwhile, the middle class that was happy with a Titan or a Timex is suddenly upgrading to luxury products. You will find the unlikeliest of people – young professionals who live with their parents in simple middle class homes - sporting entry point luxury brands such as Tag Heuer, carrying Michael Kors bags, and wearing Zara outfits. A new BCG report calls this phenomenon of growing diversity in the luxury consumer base "The Shock of the New Chic". The report describes, how, thanks to the changing profile of the luxe consumer, there is a new complexity in the luxury marketing business. The good news is that, the BCG report says: "The appetite for luxury is not sated." But what brands need to take note is that "shoppers are changing it in dramatic ways". Luxury now has different connotations for different people. So, how does a luxury brand deal with this complexity?

After meeting a wide spectrum of people in the luxe business, both consumers as well as marketers, we have pinpointed six new drivers of luxury today in the Indian market.

## Thoughtful Luxury

Globally, there is a big movement from conspicuous consumption to conscious or conscientious consumption. It began in the recession-hit West as it was forced to embrace austere chic. The slow fashion movement, the slow food movement, all started influencing the luxury market. For example, Yves Saint Laurent created a line of clothing made from unused fabrics from its past collections. Several luxe fashion brands opted to go for products made by hand and made to endure for decades. Florentine fashion house Gucci came up with an eco-friendly bio plastic range of footwear to show its commitment to nature and created a new Gucci Responsibility logo for itself, talking about sustainability and ethical luxury. Hotel chain Starwood's brand Element has made eco-friendliness its USP. As Puri says: "Luxury is not buying into labels for status, but buying into beliefs, that is, organic and ethical." Price is no

**March of Millionaires:** Number of ultra high networth households in India increased by 17 per cent to 137,100 in 2014/15 from 117,000 in 2013/14. In 2015 they generated close to **₹128 trillion** in wealth Source: Top of the Pyramid, Kotak Wealth Management Report



VIVAN MEHRA

Promoting Conscious Consumption: Arjun Sharma, Chairman, Select Group, says, "Ethical luxury is the way forward. I want to give my family some intergenerational equity - clean air, clean water and clean energy"

longer an indicator of luxury, says Arun Marc D'Silva, India head of watch brand Frederique Constant, says: "It's how the brand is perceived, how the brand reaches out to society, and how it demonstrates its commitment to social obligations." Of course, being socially conscious is largely a western movement and is taking time to percolate into India, but several brands have already made the leap. Read more about how they are faring on page 50.

### One Size No Longer Fits All

Luxury brands that so far had to deal with a fairly homogenised group of customers are suddenly finding that they have to innovate and segment far more. The assumptions that luxury could only be afforded by a slightly older profile wanting timeless elegance are getting shattered. A decade ago, the luxury consumer base was made up of just two classes – there was old money which went in for classy elegance and there was new money generated from trade that went for flashy opulence. Today, there is far more segmentation in the profile of the luxe customer. A lot of millennials are now becoming consumers of luxury and their tastes are quite different, besides which they are aware, shrewd consumers. They are open to experimentation and, unlike the older set, who were once-an-Armani-loyalist-always-one, don't mind switching brands. Also, people, young and

## THE ECONOMICS OF LUXURY

Luxury in social theory denotes status. But what does it denote in economics?

The conceptual answer has been known for a long time: luxury goods are those for which demand increases as price increases. For normal goods, it is the other way around.

The first systematic attempt to explain this odd behviour was made by an American economist called Thorstein Veblen in 1899.

He said the utility that people derive from luxury goods, also called Veblen goods, is indirect. Its usefulness lies not in its use but in what it conveys about the possessor. Such goods are also, therefore, called positional goods.

A related concept that was developed later is called the Veblen Effect. This is the buyer's belief that higher prices denote higher quality, even though cheaper substitutes are just as good. Apple and Android phones, single malts and blended scotch, Tissot and Rolex watches, etc., are examples of this.

Veblen also said praying was a luxury good because it led to nothing which was socially or economically useful. Only the rich could afford it as the poor had to earn their keep by working instead of praying.

Exactly the same thing can be said about sports also. Contests between persons and teams produce nothing of economic value. At a more general level, this is true of the entire entertainment industry.

Not everyone has agreed with Veblen, however. But there have been no serious refutations either - perhaps because such refutation would itself classify as a luxury good of no economic or social value.

old alike, are now becoming comfortable with the idea of spending money, says Dinaz Madhukar, Vice President, DLF Luxury Retail quoting what a luxe customer told her. "Money in the bank when you die means you have not enjoyed life."

"The young want drama," says Archana Kumari, President, India of Frazer and Haws, a vintage silver accessories brand that entered India in 1991. So, Frazer and Haws, which is identified with its Victorian tea sets and old salvers, is today doing very bold fusions, mixing materials. For instance, it has created a line of dramatic artefacts by embossing silver designs on imported Murano glass products. It has experimented with pairing terracotta and silver. "The younger audience are reckless, they want cool – they come to our stores and say we don't want similar looking watches year after year. We have some classic timepieces, but the young want something different," says Puneet Sewra, Marketing Director, Tag Heuer. This led to the company's tie-up with supermodel Cara Delevigne and the creation of an exotic line in black – big black dials studded with black diamonds. At the back of the watch is a lion tattoo, one that adorns Cara's fingers.

Almost every brand has to expand its designs to fit in to more tastes. As Frederique Constant's India Director Arun Marc D'Silva says: "One has to position the brand in a space that appeals to a specific target audience."

## Bridge Luxury Rules

It's an open secret that top-end luxe brands, such as Cavalli, Armani and Versace, struggle in India (Versace and Jimmy Choo, in fact, exited before re-entering, and Louis Vuitton had to close its Chennai outlet), while the affordable luxury brands seem to be hitting a chord. Ankur Bhatia, Executive Director, Bird Group, which has got into the country with high-end luxury brands, including Bally Shoes and Porsche Design, minces no words on how discounts are driving the top end of the luxury market: "Since those

SHEKHAR GHOSH

Archana Kumari of Frazer and Haws: The vintage brand known for its silver designs has laddered down to offer something for everyone. Affordable luxury to catch the younger consumers who want drama is the new trend, feels Kumari

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Luxe consumers are investing more on fancy lighting

buyers have also got the option of flying to Dubai or Singapore, where they have much more to choose from and where prices are far more competitive (no import duty unlike India), that segment is not growing well at all in India, he says." "Sadly, Indian consumers are still buying largely abroad," says Gaurav Bhatia, Marketing Director, Moet Hennessy India. He blames it on the lack of infrastructure here – other than the Emporio, Palladium and UB City Mall, there are hardly any retail outlets for high-end luxe brands. DLF is readying the Chanakya by DLF Emporio for launch next April but it's too little to far.

However, what is growing in India is bridge luxury or affordable luxury. Says Puneet Sewra, Marketing Director, Tag Heuer, "We are not seen as a brand where you have to spend a crore. And, that has played to our advantage"

So the only options for many players is to ladder down to capture this segment. Consider the way Frazer and Haws has decided to make something for everybody. "A lot of our own designs, which were made in silver, we are replicating

Homes are reflective of the growing aspirations of people

## GETTING HOUSEPROUD

A few years ago, people in India wanted luxury on self. They would buy luxury brands that they could flaunt - watches, shoes, bags. Buying luxury for homes was on the backburner. But today, people have become house proud, says Archana Kumari of Frazer and Haws, clearly exulting at the uptake in home accessories. "People look at their walls and say - oh this is looking a little bare, let me go get a piece of art or a vase for a table," she says.

The story of luxury is interesting, says Rudra Chatterjee, Chairman, Obeetee Carpets. When people first start consuming luxury they only go after what impresses others, but gradually, as luxury becomes part of their lives, they start incorporating it in their homes, in daily living.

People are now looking to entertain at their homes a lot more, says Adarsh Jatia, managing Director of Provenance Lands, which is creating the Four Seasons branded residences, describing how they have created areas where private dinners for 10 can be arranged or a celebration for 300 guests on the rooftop lounge of the apartments. Agrees Arjun Sharma: "It's really about more personalised entertaining at home." He describes how banks are now arranging top chefs for their ultra HNI clients to entertain at home. Obviously, then homes are getting a lot of attention. So, from luxe carpets, furniture and lighting to luxe speakers and smart television sets, home accessories are witnessing an uptick. Dinaz Madhukar describes how at the Emporio she has noticed that most designers have added a home line in addition to their couture range. "Today homes are reflective of the growing aspirations of people and exemplifies their taste and lifestyle. The luxury lighting market today is about ₹350 crore in India, a key segment of which is residential lighting," says Harsh Chitale, CEO, Philips Lighting, South Asia, describing why Philips decided to introduce its international luxury brands - Luceplan and Modular - in India.

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The images are of the show flat. The background view of the Bandra-Worli Sea Link is an artist's impression.

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SUMIT SHARMA

Dinaz Madhukar, Vice President, DLF Luxury Retail: "Events, such as the Treasury of Trousseau, are not footfall drivers, but generate more spends"

in plated silver and the starting range is from ₹3,000 for the really small pieces," says Archana Kumari. "People want the brand name, they don't necessarily want to spend," she says. This is one of the reasons the brand decided to create an affordable range as well.

Ditto for Danish audio video products player Bang and Oluffsen. It is trying to capture the affordable luxury market by marking down prices. Gaganmeet Singh, Managing Director, Beoworld, says prices in India are 10-15 per cent cheaper and the company is discounting this by taking it out of its marketing spends. Also, he says, the brand has products running up to ₹50 lakh (TV etc) has just launched an affordable vertical called BeoPlay where prices are between ₹10,000 and ₹2.5 lakh.

For the brands that have chosen to ladder down, the gains are immediately visible and you can see how upbeat they are, but several uber luxe brands are hesitating as they don't want to end up making their products too democratic. Of course, creating limited editions is one way to keep some of the brands products exclusive. It's quite an interesting story playing out there as brands decide on their strategies.

## Chanting the Wedding Mantra

The HNIs may be showing restraint in other things, but when it comes to weddings, opulence rules. There are at least 500 weddings a year where the spends are over ₹10 crore says Vivek Ramabhadram, MD, Swarovski India.

A report on ultra HNIs by Kotak Wealth Management, titled Top of the Pyramid, says the budget of an HNI wedding in India costs ₹15 crore to ₹20 crore with a guest list of 800-1,000, while the budget of a destination wedding is in the range of ₹40 crore to ₹75 crore with a guest list of 300-400. At NRI industrialist Pramod Agarwal's daughter, Ritika's wedding held in Puglia, all the 800 guests were put up at the luxe Borgo Egnazia resort and chefs from all over the world were flown in.

Not surprisingly, every international brand wants a slice of this action – from luxury spirits makers and hoteliers to jewellery brands and spas, to even luxury tea sommeliers, everyone is edging in on weddings in search of growth. At two successive wedding shopping events in Delhi last fortnight you could see brands as diverse as BMW to Johnny Walker participating. Abanti Sankara-nayan, Business Head, Luxury Vertical, United Spirits, which owns Johnny Walker and Ciroc, describes how they are tapping this market by creating two verticals: Johnny Walker Luxury Bars for high-end weddings and Luxury Brand Ambassadors to create bespoke drinks for banquets and social gatherings. For malls like DLF Emporio, too, where a a host of designers have their stores, the wedding market is a big business generator. To drive more business, Emporio curates an event every year called Treasury

**Experiential Extravaganza:** The business of luxury experiences – from private airline services to five-star restaurants – is growing rapidly, and is already worth almost $1 trillion of the $1.8 trillion global luxury market Source: BCG

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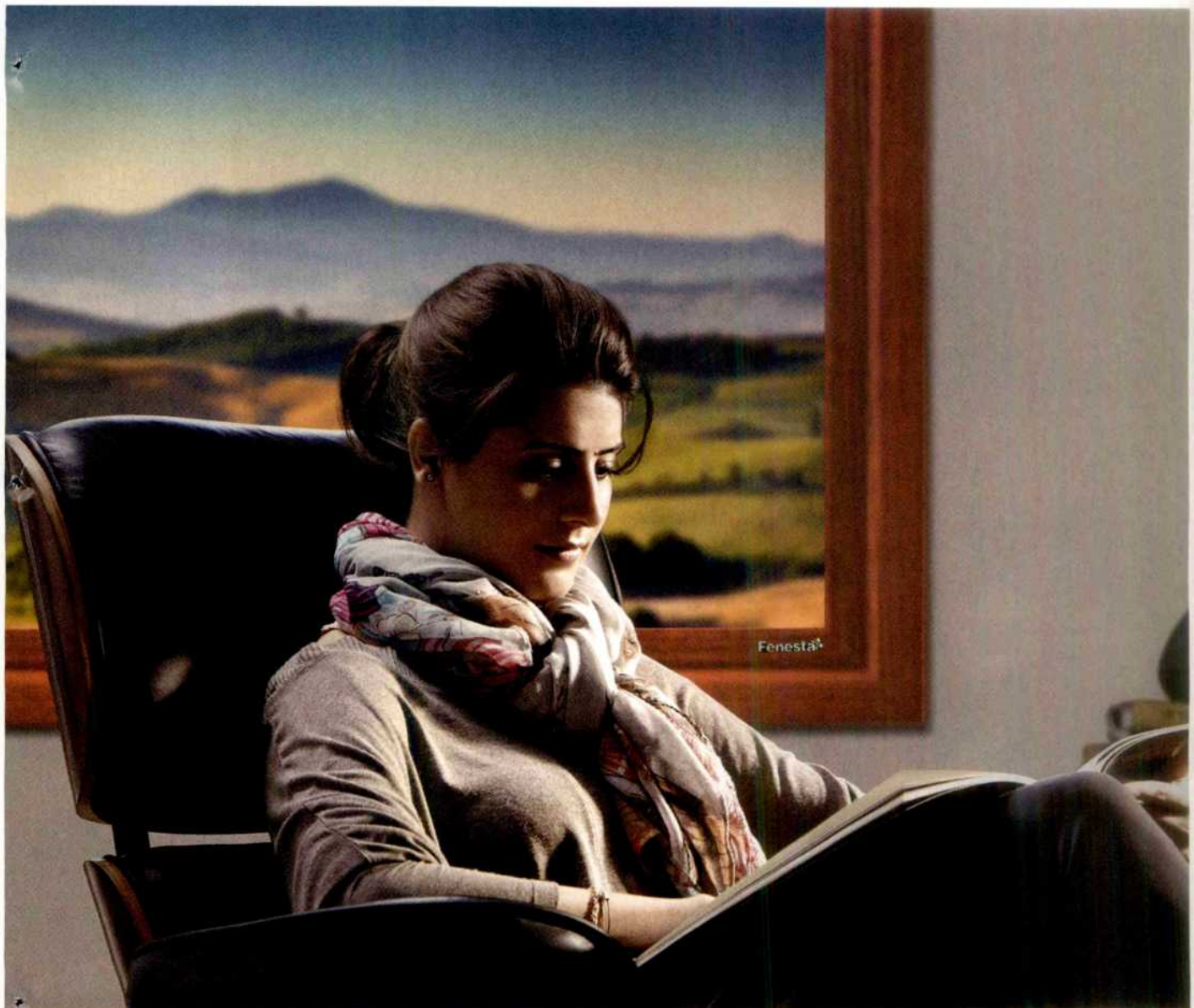


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**Sabyasachi Mukherjee's** collaboration with Christian Louboutin, perhaps the most iconic shoe designer, creates an affordable line of Parisian footwear with an Indian baroque sensibility, and helps woo a wider set of people

of Trousseau. Says Madhukar: "Treasury of Trousseau is not a footfall driver but encourages spends. The sale numbers during the event will not be ₹30,000 or ₹40,000, but run into several lakhs. " See more of this trend on page 105.

## Make Luxe in India

When Hermes launched its sari collection in India it created quite a bit of flutter. But almost every luxury brand is now localising its products and approach for India. So Mercedes, which is doing local assembly in Pune, is scouting for manufacturing tie ups with several others.

Gaurav Bhatia, Market-ing Director, Moët Hennessy India, says: "Make in India is becoming bigger and bigger. Seeing the evolution of a young and dynamic Indian, companies like Moët Hennessy have invested in and created a brand like Chandon made in India, for India." This approach kills a lot of birds with one stone. It nullifies the crippling import duty structure that stifles the growth of the luxury market, it appeals to the tastes and sensibilities of the Indian market and also allows the luxury brand to create a more affordable product to woo a wider set of people. For instance, Moet Hennessy's Chandon made in India is priced at ₹1,200. Of course there are challenges. Louis Vuitton has had to close its Pondicherry unit, but for every LV there are two or three other brands setting up manufacturing shops here.

Meanwhile, the Make Luxe in India story has also got a fillip with home-grown brands, such as Gitanjali Gems and PC Jewellers, finding a place in the Deloitte power list of top 100 global luxe brands list.

Arun Marc D'Silva, India Head, Frederique Constant "Price is no longer an indicator of luxury. It's how the brand is perceived, how it reaches out to society, and how it demonstrates its commitment to social obligations"

## It's All About Experiential

Luxury today is shifting rapidly from "having" to "being" – from owning a product to experiencing a luxury, says the BCG report, Shock of the New Chic. According to the report, the Millennial generation – those in their 20s are geared to pleasure rather than possessions. To these young people, owning something usually comes second to sharing new ideas and new experiences. It's also true of the older HNIs, who after surrounding themselves with a plethora of luxe products are now looking for novel experiences. Which is why product companies are also trying to create experiences. So luxury spirits makers have fine drinking sessions or wine socials. Almost every luxe car maker today has gone in for experiential retailing, laying out the wine and cheese. The business of luxury experiences – from private airline services to five-star restaurants – is growing very rapidly, and is already worth almost $1 trillion of the total luxury market of $1.8 trillion global luxury market, says the BCG report.

There are some other encouraging triggers as well – the digital play, for instance. Luxury brands were relatively late to the digital party – but are now suddenly finding the huge power of social media. It's a great fit because luxury rarely advertises and works on the power of word of mouth. ◆

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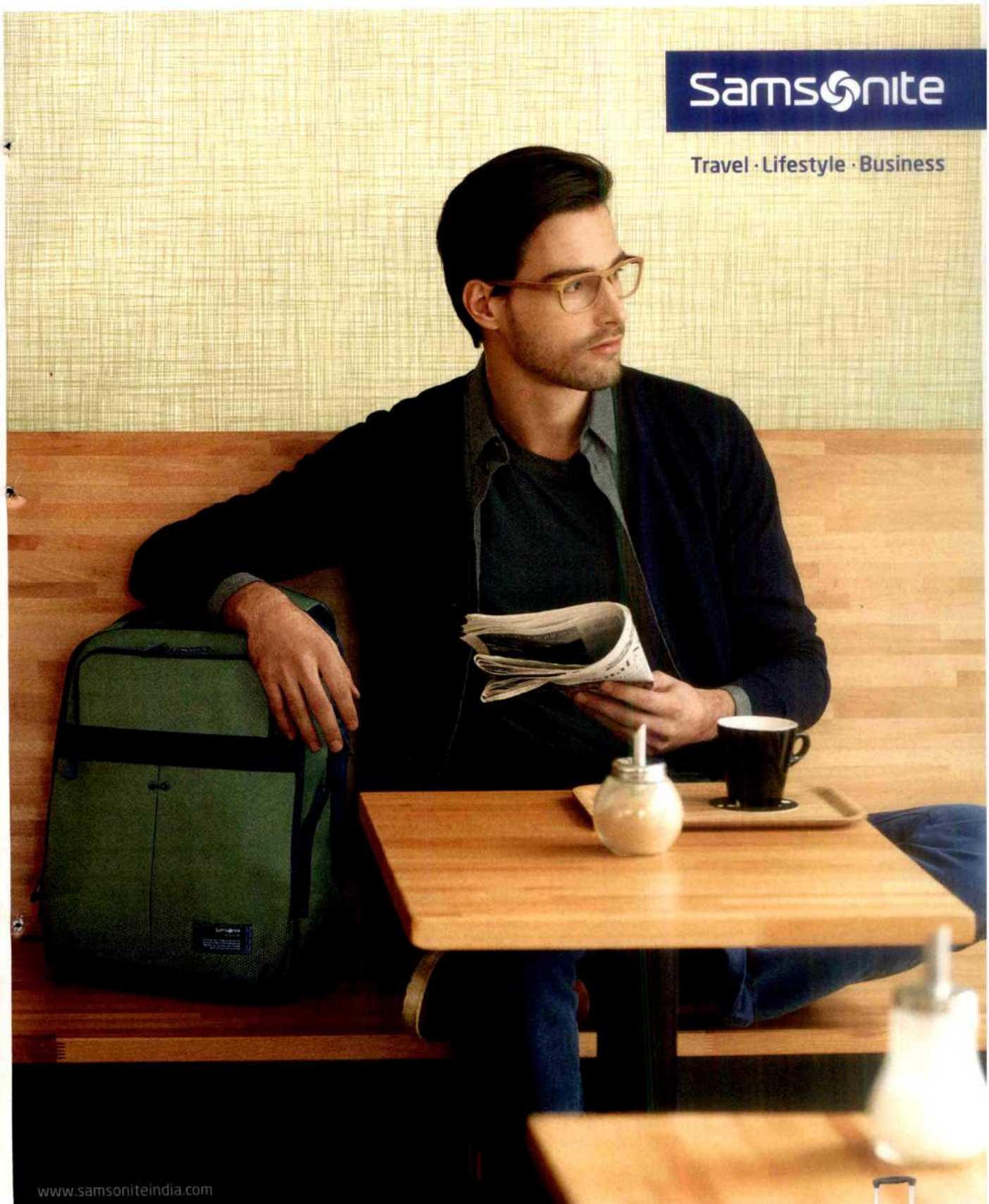


Featuring the new

# CityVibe collection

The fusion of well featured business bags with a casual and lifestyle attitude resulted in CityVibe, Samsonite's distinctive line of business casual bags

Get off the highway at Manesar and trundle past sleepy villages, navigating through the Aravalli ranges and out of nowhere, quite literally, rises a palace-like structure replete with domes and royal pavilions. This is ITC Hotel's lavishly laid out 300-acre golf retreat – the ITC Grand Bharat – which showcases a slice of all that is rich and fine in India, and pampers guests with a taste of uber luxury.

So imagine the sense of shock as we sit down to dine at the Pavilion restaurant here, and notice warning alerts on the menu. There are traffic signal lights against the fish, indicating which Piscean species are overfished (red light), which are under threat (orange light) and which are in abundance (green). For instance, the Indian salmon is red-lighted as overfished, anchovy, pomfret, mackerel and red snapper are

The ITC Grand Bharat, despite its lavish setting and opulence, promotes responsible luxury in subtle ways

Interview with Anand Rao, GM, ITC Grand Bharat, at businesstoday.in/itc-rao

**ALL FOR A CAUSE:** English supermodel Cara Delevingne, a self confessed lover of lions, auctioned her personal Tag Heuer watch raising $14,430 for conservation after the news of Cecil the Lion

flagged as under threat while sole fish and tuna get an approving green light. The choice is left to the diner.

The "Choose Wisely" programme in tie up with the Worldwide Fund for Nature (WWF) piloted at this property is just one of the examples of the ways in which ITC introduces "responsible luxury" to its guests. Incongruent though luxury without waste may seem at such an opulent setting, ITC Hotels has been riding on this philosophy in all its properties. But it's at the recently opened Grand Bharat, that responsible luxury is being showcased to the hilt – whether it is in ingredient sourcing, its effort to minimise carbon footprint, its recycling initiatives (plastic bottles from here go on to a company in Rajasthan that recycles them as garments) or the way it provides sustainable livelihood to the locals. "We believe that values are shifting at a deep level due to the curse of the excess and the need to endorse luxury that is deep-rooted and meaningful," says Nakul Anand, Executive Director at ITC, in charge of hospitality, describing how the chain decided to move from a business as usual approach to 'business that cares' some years ago.

ITC is not the only one. A whole host of luxury brands is now moving into this positioning. The names differ – some call it ethical luxury, others sustainable luxury and still others responsible luxury. But the idea is to connect with the luxe consumer on a deeper moral plane. From Gucci to Yves St Laurent (YSL) to spirits brands like Johnnie Walker to hotel chains such as Starwood and car makers like Tesla and Mercedes, brands are all adopting this positioning.

GUCCI
RESPONSIBILITY

The new logo of Gucci has the word Responsibility weaved into it

Take the way Florentine luxury brand Gucci has begun promoting the "made with integrity" tagline, adding the word Responsibility to its green and black logo. From taking a stand against sandblasting denim for jeans (sandblasting can cause an acute form of

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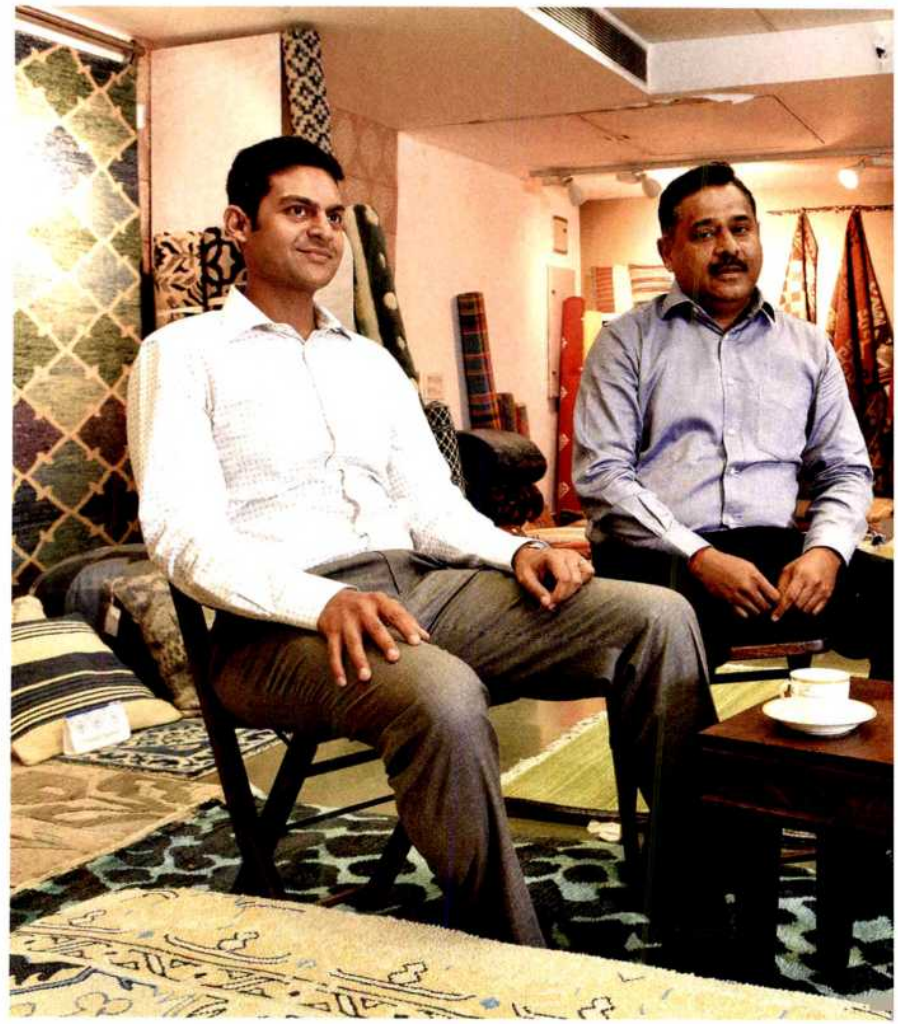

**OBEETEE CARPETS' RUDRA CHATTERJEE (L) AND GAURAV SHARMA:** Carpets from Obeetee provide sustainable livelihood to thousands of independent artisans

silicosis among workers) to committing to not using paper from forests that are at risk of deforestation. Gucci has initiated a whole chain of activities. It's doing research on packaging from alternative fibres made from corn, bamboo and cotton for its shopping bags. A couple of years ago it launched a Sustainable Soles collection, made from bioplastic – a biodegradable material in compost used as an alternative to petrochemical plastic.

Discreet luxury brand Bottega Veneta has also moved in this direction by creating a state of the art eco-friendly headquarters for design.

The drive probably comes from Gucci and Bottega Veneta's parent Kering, which also has YSL and Boucheron in its portfolio. Kering has just published its first Environmental Profit and Loss report which tries to capture the monetary value of going sustainable. From the supply chain to the production line, almost all brands are putting in place environment-friendly practices.

"Being green, sensitive to environment is no more a nice thing to do, it is an essential thing to do," says Dilip Puri, Managing Director of Starwood Hotels and Resorts, which is turning all the brands in its portfolio socially conscious. Its Element brand, in fact, was created with an eco-friendly positioning and has floors that feature carpets with 100 per cent recycled content. Art on the walls is mounted on a base made from recycled tires. And it uses low volatile organic compounds paint to improve indoor air quality for guests and staff.

There is, of course, an imperative for this as in the West, increasingly luxe consumers are asking questions on how ethically and sustainably a product is made and how socially conscious a company is. Gone are the days of being seen with crocodile leather bags or textiles made of fabric from endangered animals. Catchphrases like conscientious consumption are doing the rounds. Several outfits conduct social accountability surveys to find out which brands flout ethical standards and name and shame them stridently. Rather than get caught in a negative crossfire, it makes business sense for luxe brands to grab the initiative and be part of the ethical movement or conservation causes.

Automakers like Mercedes have been forced to go up

Interview with Rudra Chatterjee and Gaurav Sharma at businesstoday.in/obeetee-carpets

a gear on sustainable vehicles after Tesla Motors got into the luxury space with its fully electric sedan – the Model S and its landmark Roadster sports car and started capturing mindspace of the socially conscious set.

Or look at the way Swiss watch brand Tag Heuer rushed in to extend support to the cause of conservation after the recent killing of Cecil the Lion. Tag Heuer ambassador English supermodel Cara Delevingne, a self confessed lover of lions (she has a lion tattoo embossed on her fingers) auctioned her personal Tag Heuer watch raising $14,430 – and the Swiss brand matched that figure. The money was donated to Oxford's Wildlife Conservation Research Unit (WildCRU).

But are these ideas percolating to India yet? Well, for the luxe consumer here, it may not be a big thing yet, but a

## FLOORED BY ARTISANAL DESIGNS

FOR CARPET MAKER OBEETEE, WHICH IS WEAVING A PROJECT WITH TRADITIONAL ARTISANS FROM BENGAL, SOCIAL ACCOUNTABILITY IS IN EVERY THREAD OF ITS FABRICS

The culture of a carpet is that it is handed down from one generation to another. And that makes it a sustainable product, declares Rudra Chatterjee, Chairman of Obeetee Carpets, the luxe brand produced in Mirzapur that graces the floors of the poshest of homes, including our President's, and has had buyers like Queen Elizabeth. Carpets from Obeetee command prices as high as $400 a sq. foot and are meant to last more than a lifetime - passed down as heirlooms.

Luxury, says Chatterjee, lies in the history behind the fibre, the weave, the motif. And the true luxe consumer appreciates this heritage, he says, describing how the credo for the company, established in 1920, was always based on ethical and sustainable luxury.

Every carpet you buy today from Obeetee has a QR code on it. The buyer can scan the code with a mobile phone and all the details of the weavers who made the carpet pops out. All this is part of the firm's social accountability initiative. Nearly 30 people are on the social accountability team, whose only job is to focus on the environment in which the carpet is made. "Not just issues like child labour, but also maintain a register of every weaver, and descriptions of which designs he specialises in," says Chatterjee. So if an order comes for a Persian motif, we know which weaver will be best suited for the job.

Now, this closely held company with a unique four-way ownership structure (it is owned by the families of the original founders Oakley Bowden and Taylor as well as Chatterjee's family and Vinod Sharma) is in the midst of an exciting Bengal Project. "We see worldwide, there is a revival and demand for traditional crafts and artisanal works and decided to pitch for this project," says Chatterjee. Obeetee's biggest market is the US, followed by Europe.

For the last nine months, says Gaurav Sharma, Managing Director of Obeetee, the company has been researching the traditional arts and crafts of Bengal - from Patachitra to Kantha Work incorporating it in its home textiles range. "We looked at the history of when and how did home textiles from India go to western market." Did you know, the two ask, that textiles were exported from Surat and from Chandernagore and Serampore in Bengal to the west. And that the craft of Bengal was once extremely fashionable in the west. Going further back, Muslin was a fashionable fabric and sought after by Roman ladies during the heydays of the empire.

Then came the transition to western design and motifs. "But now, both in India and China, luxury has evolved and now is all about returning to our own crafts traditions," says Chatterjee. As he points out, this encourages sustainable livelihood as nearly 20,000 independent artisans in places like Mirzapur get gainful employment. A fact to floor you!

**ENKERERI VILLAGE & SCHOOL PROJECTS IN KENYA** to preserve natural resources is part of Abercrombie & Kent Philanthropy

host of brands is already adopting this positioning. If ITC was one of the early ones to get on to this tack, there are plenty of others too, working in different ways. Top fashion designers in the country are working with local craftsmen to promote and sustain their heritage. Dinaz Madhukar of DLF Emporio points to the way the Fashion Design Council of India recently took a team of fashion designers to Varanasi to work with Banarasi saree makers in a bid to boost the craft.

Liquor companies are doing their bit too. Abanti Sankaranarayanan, Business Head for Luxury and corporate relations at United Spirits Ltd (USL), says: "Thoughtful luxury for us starts with recognising that alcohol misuse is a problem for some individuals and society, and hence, we believe that for a sustainable business we absolutely have to actively advocate responsible drinking." USL runs a national Road Safety and Anti-Drink Driving Program through workshops for truck drivers, traffic police personnel and college students.

But nowhere is it as visible as in the travel industry which has grabbed bragging rights for this positioning.

## The Conscious Traveller

If in the Swiss Alps there are five star hotels such as Lenkerhof where tourists sleep on beds of straw in Alpine huts to get an authentic experience of local life, then here in India, down south hospitality firm CGH Earth's CEO Jose Dominic has been offering bare bones luxury to those among the swish set who choose not to flaunt it. Luxury has to go hand in hand with sustainability, he stresses. "Sustainability is seen as being inconvenient and more expensive. But this is not true," he says. Sustainability requires responsible tourism, which includes local community as well as responsibility of consumers. Luckily, this is the era of the conscious traveller, adds Dominic.

Abercrombie & Kent's MD for India, Rati Dhodapkar, endorses this. She points to the luxury volunteerism vertical that the travel firm runs. Increasingly travellers want to make a personal connection and a positive contribution to the places they visit and that was the thought that led A&K to set up Abercrombie & Kent Philanthropy. Every local office of A&K identifies grassroots organisations and travellers can make donations to these. Guests travelling on A&K's tailor-made programmes can visit the projects in person.

**85%**
of millionaires in the world are self-made - Mark Tungate in *Luxury World: The Past, Present and Future of Luxury Brands*

While it's too early to say if the age of hedonism will draw to a close, an increasing band of luxe consumers and brands are certainly making it fashionable to be simple and responsible. ◆

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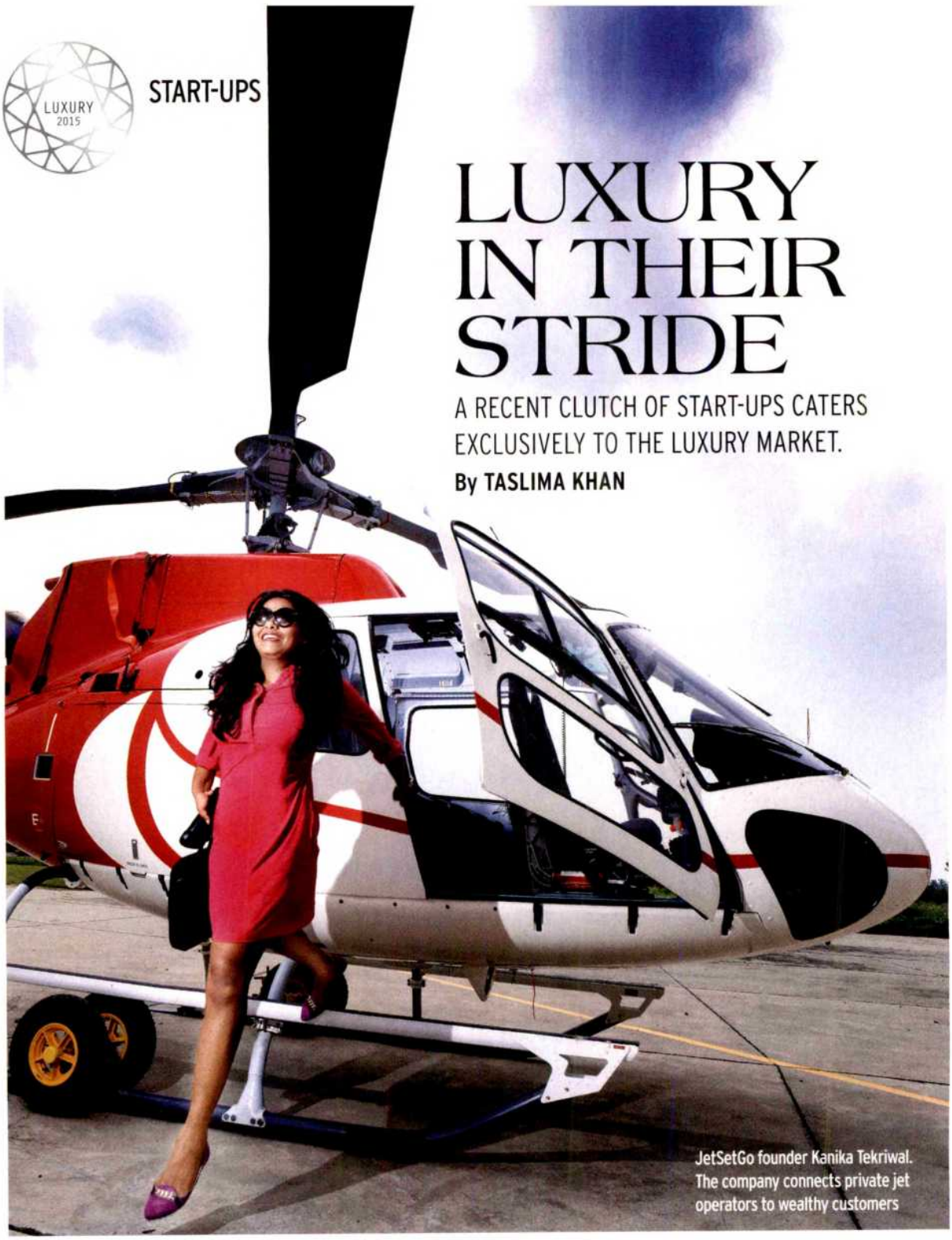
# LUXURY IN THEIR STRIDE

A RECENT CLUTCH OF START-UPS CATERS EXCLUSIVELY TO THE LUXURY MARKET.

By TASLIMA KHAN



JetSetGo founder Kanika Tekriwal. The company connects private jet operators to wealthy customers

VIVAN MEHRA

A decade ago, Kanika Tekriwal worked for the private aviation vertical of investment giant IndiaBulls. The experience emboldened her to set up in April 2014 JetSetGo.com, which connects private jet operators to wealthy customers seeking their services. "High net worth households spend most on jewellery, followed by travel,"

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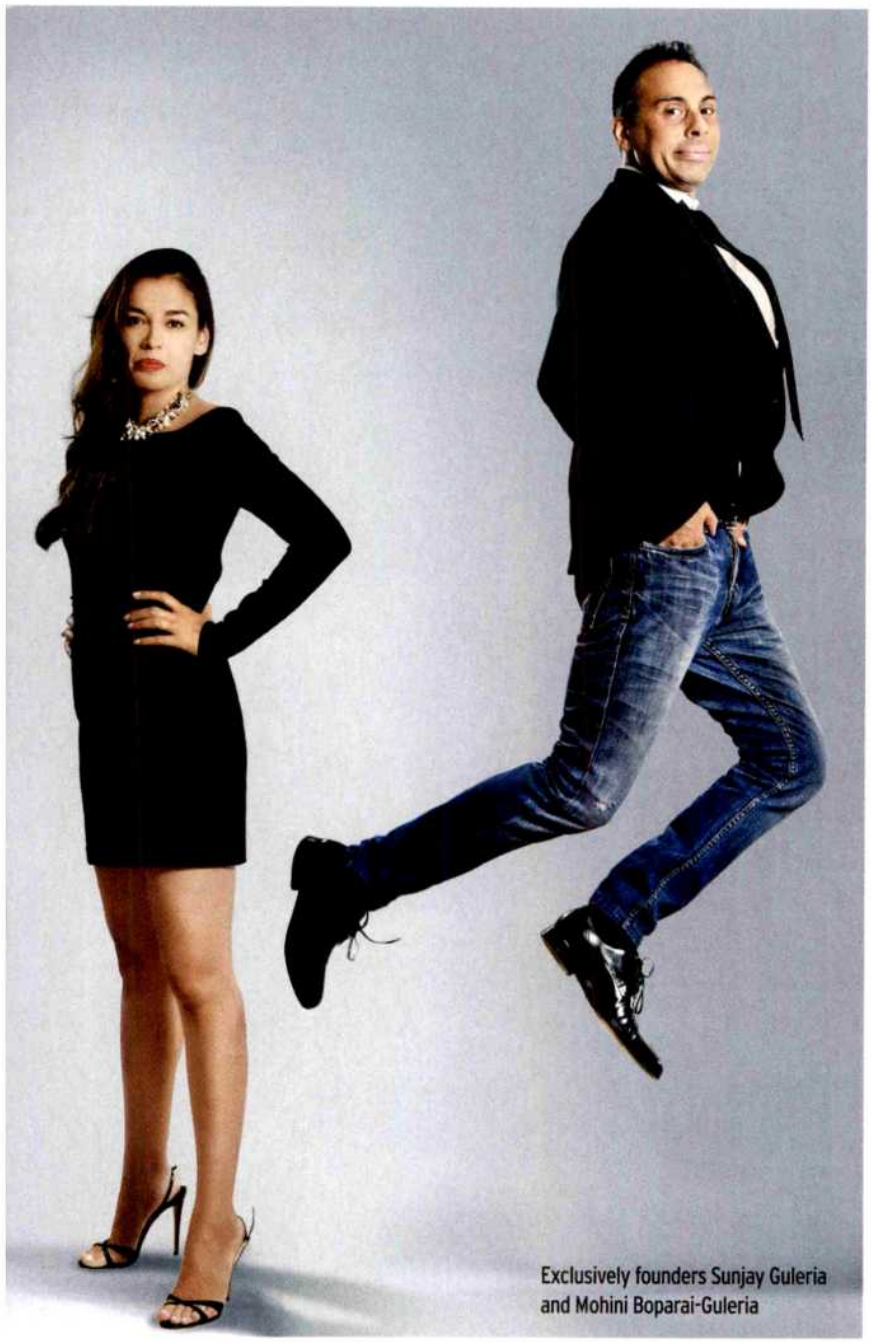

Exclusively founders Sunjay Guleria and Mohini Boparai-Guleria

VIVAN MEHRA

she says. But although there are about 130 jet operators in India, there was no standard means of hiring private jets before she started. On the one hand, jet owners struggled to find customers. On the other, customers went from one broker to another looking for available planes and often faced last minute cancellations due to inefficient communication or insufficient information.

JetSetGo has set up an online marketplace where jet operators list their inventory and customers book their flights, which can cost anything between ₹60,000 and ₹70 lakh, depending on the distance and seating available on the aircraft. (A 16-seater jet from Bangalore to Srinagar, and back, would cost ₹60 lakh to ₹70 lakh for a single flight.) The company gets about 20 enquiries a day and books at least one flight. Apart from the splurging rich, customers include corporate houses, tourist groups, or those needing air ambulances in a medical emergency. Among its investors are cricketer Yuvraj Singh's YouWeCan Ventures. "These luxury planes are amazing," adds Tekriwal. "They are like a flying home. The food and other services are extraordinary."

JetSetGo is only one of many. Exclusively.com, which was set up in 2010 and sold only luxury fashion and lifestyle products, made an impact strong enough for it to be acquired by Snapdeal in February this year. (Snapdeal has set itself a target of $2 billion in gross merchandise value from the fashion business alone by the year-end.)

Exclusively.com, which was set up in 2010 and sold only luxury fashion and lifestyle products, made an impact strong enough for it to be acquired by Snapdeal in February 2015

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Exclusively started as a flash sales site modelled on US-based website Gilt, and later pivoted to the marketplace model and setting up online stores for other designers.

Yet another is Nykaa, whose range of beauty and personal care products includes luxury brands such as Calvin Klein, Davidoff, Giorgio Armani, L'Occitane and Roberto Cavalli. Started by Falguni Nayar, former CEO and Managing Director of Kotak Bank, it has, apart from its online channel, one store at Delhi Airport opened last year and plans three more soon at select locations. About 60 of the 356 brands it stocks are premium to luxury ones.

The company raised ₹20 crore from private investors last year and is looking for another ₹60 crore this year. "The biggest challenge is competing against counterfeits," she says. "Genuine products from well known brands are often not available at a discount. But the counterfeit ones are." She sticks to the inventory-led model, sourcing products only from the company or authorised distributors rather than employ the marketplace model where ensuring quality and genuineness of products is a challenge.

Mumbai-based Envoged.com sells branded luxury products too, but with a difference – it offers used luxury products, not new ones, on which heavy discounts can be freely given. Started in March this year by Anandita Singh, Manisha Baranwal and Sahil Narang, the first two

Nykaa founder Falguni Nayar. The company's range of beauty and personal care products, include luxury brands such as Calvin Klein, Davidoff and Giorgio Armani

"The biggest challenge is competing against counterfeits. Genuine products from well known brands are often not available at a discount. But the counterfeit ones are"

batchmates at IIT-Kharagpur, it currently stocks around 400 products, having sold about 100-150 so far. Any individual seeking to sell a used, branded product can upload its image on the site, which is then vetted. The physical product, too, is subjected to the concerned brand's authentication tests, and its degree of wear and tear examined before it is accepted and a price put on it. "We are meeting aspirations by providing very high discounts," says Baranwal. A Louis Vuitton bag, in good condition, for instance, originally bought for ₹55,000 was recently sold for ₹21,000. Envoged has raised funding from a clutch of investors including former Canaan Partners' Managing Director Alok Mittal, Indian Express's Anant Goenka and the Nijhawan Group's Ankush Nijhawan.

Counterfeit products have proved a bugbear for Delhi-based Darveys.com, begun by 24-year-old Nakul Bajaj in October last year. This members-only site offers global luxury brands at prices 30 to 70 per cent lower than retail stores and claims partnerships with 287 luxury boutiques as well as with brands such as Miu Miu, Prada, Fendi and Luly Guinness. The site has reportedly been charged by several brands for selling fake, discounted products and has also been castigated by companies like Jimmy Choo and Burberry for selling their products without a warranty and for infringement of trademark.

With the number of high net worth individuals in India rapidly increasing, such services are bound to grow. A KPMG report on India's luxury market pegged it at $8.5 billion in 2013 and predicted it would grow to $14 billion by 2016. In 2013, India had 55 people on Forbes' global billionaire's list, with a total net worth of $194 billion, up from just nine in 2004. "Traditional definitions and characteristics of luxury consumers are evolving with increasing awareness among consumers. This is creating a host of opportunities for the existing and new players," the report said.

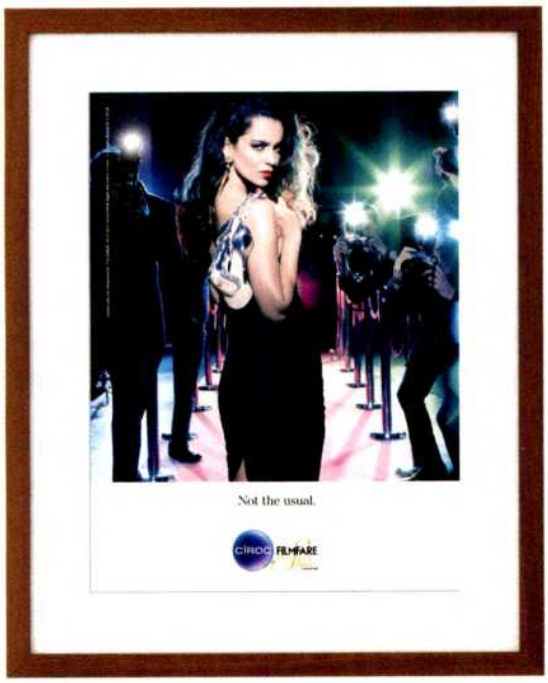
Given this growth, other kinds of services for the wealthy, available elsewhere in the world, could well be replicated here. Start-ups have arisen to cater to those too busy to run their own errands, such as, for instance, the US-based Magic or the Indonesia-based YesBoss. India, no doubt, has its grocery delivery apps, but these go much further – they supply any product sought (provided doing so is legal!) at the summons of a mere SMS. A response arrives within minutes – a guaranteed five to seven minutes in the case of YesBoss. Industry experts, however, note such services have their pros and cons in Indian conditions – the cheap labour available is an asset, but scalability remains a problem, especially coping with too many orders coming in at the same time.

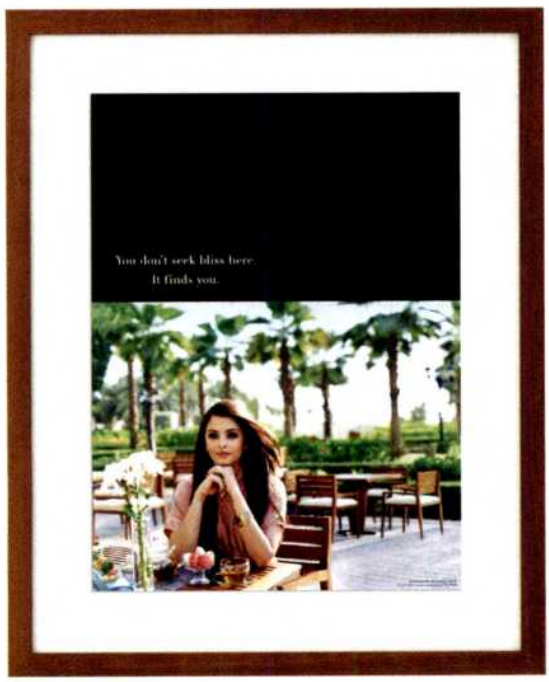
Globally, there is also a segment of the 'sharing economy' catering exclusively to the very wealthy, which could well be replicated in India in coming years. Start-ups such as

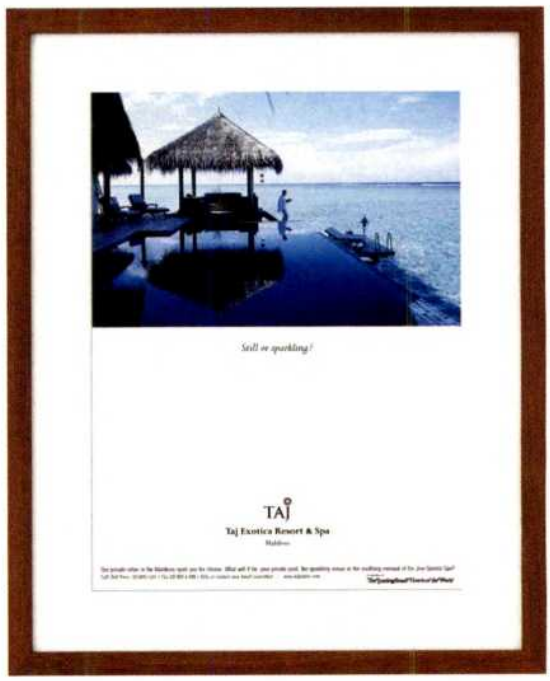
Start-ups have risen to cater to those too busy to run their own errands, such as, for instance, the US-based Magic or the Indonesia-based YesBoss

the London-based Onefinestay.com or the Montreal-based Luxury Retreats.com specialise in listing luxury homestays. They aspire to compete with luxury hotels, not the regular sharing sites, exemplified by the US-based Airbnb. Indeed, to differentiate itself, Onefinestay also offers concierge-on-call services to fulfill every kind of mundane needs for the guests, a free iPhone and free WiFi. It vets both guests and the quality of homestays before putting the two in touch. In the five years since its launch, Onefinestay has started operations in London, Paris, New York and Los Angeles, and has raised funding of $80 million so far. ◆

@KhanTaslima






Clockwise: Actor Kangana Ranaut endorsing Ciroc, a luxury Vodka from Diageo; a print ad for Lodha Belmondo, luxury residences in Mumbai; an ad for Taj Hotels & Spa, Maldives; an ad for Lodha Park luxury residences in Mumbai

# SELLING A DREAM

## LUXE ADVERTISING IS ABOUT CREATING THE RIGHT AURA AND FEEL, PREFERABLY VIA PRINT, AND NOT OVER-THE-TOP MESSAGING.

**By AJITA SHASHIDHAR**

What comes to your mind when you come across the words 'Open Happiness'? It will invariably be a bottle of Coca-Cola. 'Open Happiness', after all, has been the brand's tagline for decades now. While the beverage is a way of life in many countries, in markets such as India, people drink Coke, or for that matter any aerated beverage, as they enjoy it. They don't bother about its ingredients or the manufacturing process. The company also does not talk about these things.

However, for a company that sells luxury silk tea bags, talking about a delightful cup of tea may not be enough. It has to be more detailed. From the garden from where the tea leaves were sourced to the method of blending and the quality of silk used, it has to build a compelling story to sell consumers the idea of using silken tea bags.

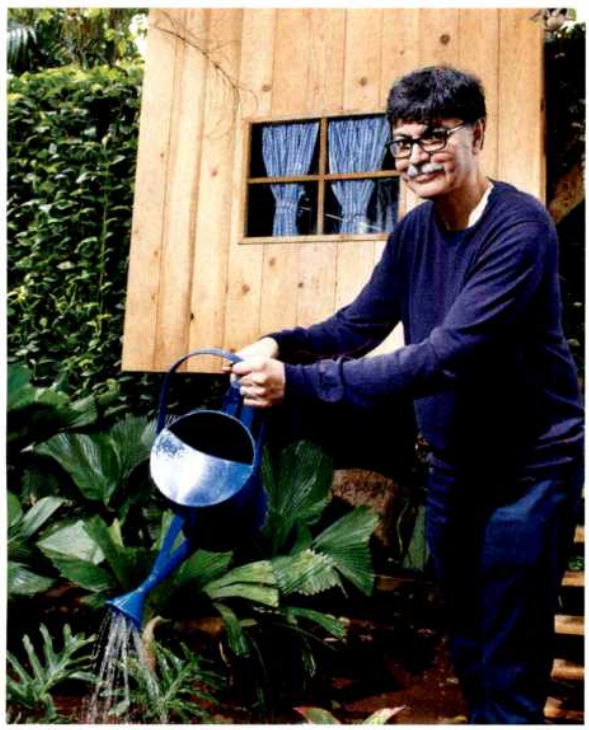
The ideal medium of communication for a mass product like Coca-Cola is television. But for a company selling luxury tea, the best way to reach out to its target consumers, who are connoisseurs of luxury products, is a powerfully-told story, with help from good images, in a luxury magazine.

The number of Indians who consume luxury products or services has been growing at 20-30 per cent a year. Apart from members of royal families and industrialists, who have been buying luxury products for ages, there is now emerging a new class of high net worth doctors, lawyers, investment bankers and even agriculturalists who don't bat an eyelid before spending on a solitaire diamond or a luxury holiday.

Luxury advertising, however, is just 0.5 per cent of the $6-billion advertising market. However, consistent growth in the number of consumers has encouraged leading advertising and communication companies to launch luxury verticals. Be it WPP, Dentsu Aegis or independent agencies such as Bang In The Middle, luxury is now an integral part of the strategy.

Group M's experiential marketing arm, Dialogue Factory, has tied up

Full interview with Alok Nanda at businesstoday.in/aloknanda



RACHIT GOSWAMI

ALOK NANDA, Founder and CEO, Alok Nanda & Company, says most companies do not have the skills for luxury communication

RACHIT GOSWAMI

DIVYA THAKUR, the founder of Design Temple, says luxury advertising is about adding to a brand's characteristics

with a global luxury services company, Quintessentially Lifestyle, to offer experiential marketing services to companies that sell luxury products and services. "Between our agencies (Mindshare, Maxus, MEC and MediaCom), we have a host of luxury clients. While we understand consumers of mass products, there is a gap when it comes to luxury consumers," says Dalveer Singh, Head, Experential Marketing (APAC), Dialogue Factory.

However, traditional companies in the luxury communication space, such as Alok Nanda & Company and Design Temple, say that although these conglomerates are setting up luxury arms, they lack the skills to understand the nuances of luxury communication. "It is about selling a dream or a myth and for that you have to create a credible, seamless world. It's not about just doing an ad campaign, because if the consumer sees any crack in this myth, it will shatter. It's about painstakingly crafting a world and requires special skills and attention. Most communication companies don't have the skills for luxury communication," says Alok Nanda, Founder and CEO, Alok Nanda & Company.

## What Is Luxury Communication?

Mondeleez India has won many accolades for its '*Kuch Meetha Ho Jaye*' campaign. The big idea behind it was to get consumers to substitute traditional sweets with Cadbury chocolates for special occasions. Mass brands are always looking for similar big ideas to get through to their target consumers.

Luxury, says Nanda, is different, as it doesn't need a big idea. This is because it has limited functional value. It is more about emotional values and involves buying into a person's thought process. For instance, people don't buy a Rolex watch just because of its features. They invest in it due to attributes of timelessness and attitude that are linked to the brand.

"A lot of investment goes into finding the right photographer, the right nuance and the right model. It sounds a little boring to those looking for big ideas," says Nanda.

Luxury advertising, says Divya Thakur, the founder of Design Temple, is about adding to a brand's characteristics. So, if the Taj Group wants to advertise its super-premium Umaid Bhawan Palace in Jaipur or Falukanama Palace in Hyderabad, it will not talk about the room tariff, she says. "I have to transport you to the world of luxury this property offers you. I will give you a feel of the place through pictures and captivating text about its history."

While a high-decibel television and print campaign,

# Resurgent Rajasthan

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# Delivering Dreams. Sharing Prosperity.

Rajasthan has inclusive development at the heart of its development strategy. Chief Minister Vasundhara Raje has stated, "For growth to be real and have value, it has to be equitable for all sections of society."

The state believes that industrial resurgence is not an end in itself. It is a means to an end. The state's objective is to ensure all-round development. Industrial growth will lead to revenue generation that will help the Government increase spends on the social sector and infrastrucure. This is the reason why the state is promoting industrial investment in the state.

The Resurgent Rajasthan Partnership Summit, scheduled to be held in Jaipur on November 19 and 20, 2015, is expected to bring leading investors from across the world to a single platform to interact with policy makers including the political leadership, government officials and, the local business leaders on the investment environment and opportunities in Rajasthan.

The summit will explore investment opportunities across a wide range of sectors in the state, including information technology, automotive, renewable energy, tourism, healthcare, agro processing, minerals, textiles, defence, electronic hardware and MSME.

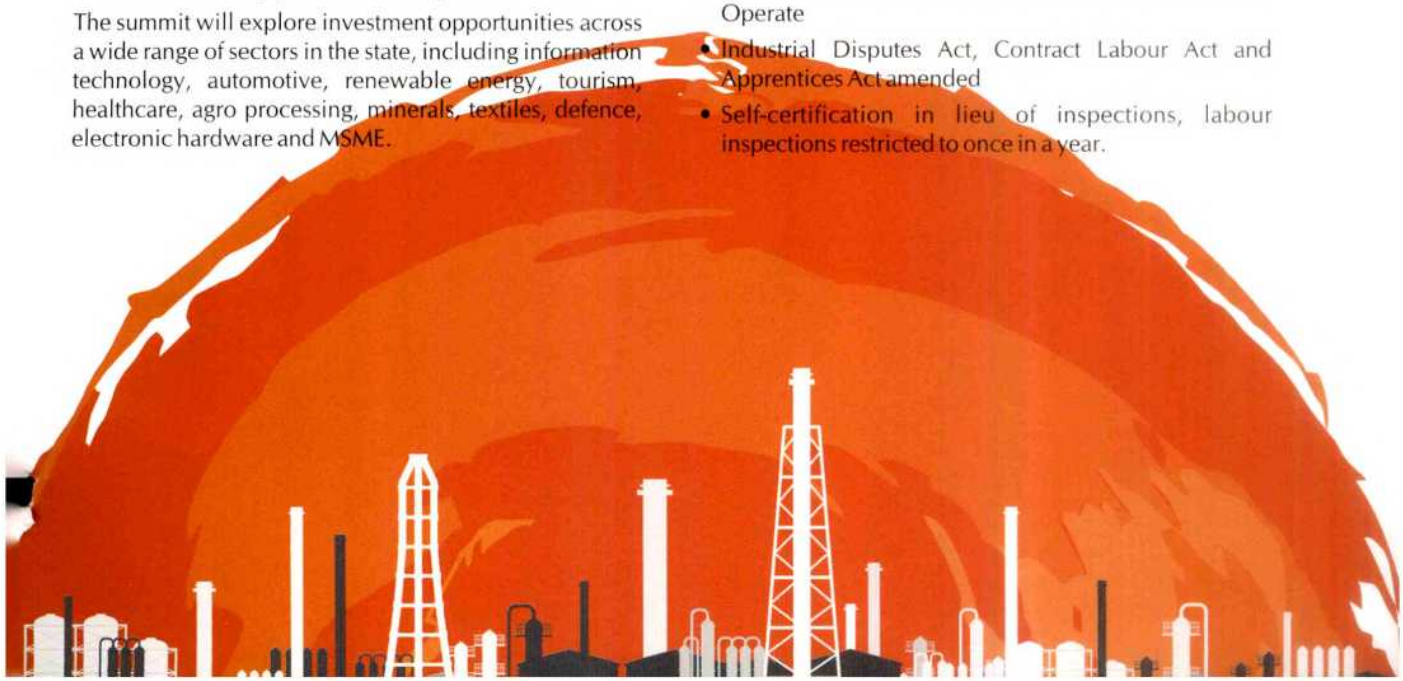
## Now, Doing Business is easier in Rajasthan

To promote the concept of 'Make in Rajasthan', the state Government has adopted a strategic action plan to improve the business environment in the state, thereby making a positive difference to perceptions about Ease of Doing Business in Rajasthan.

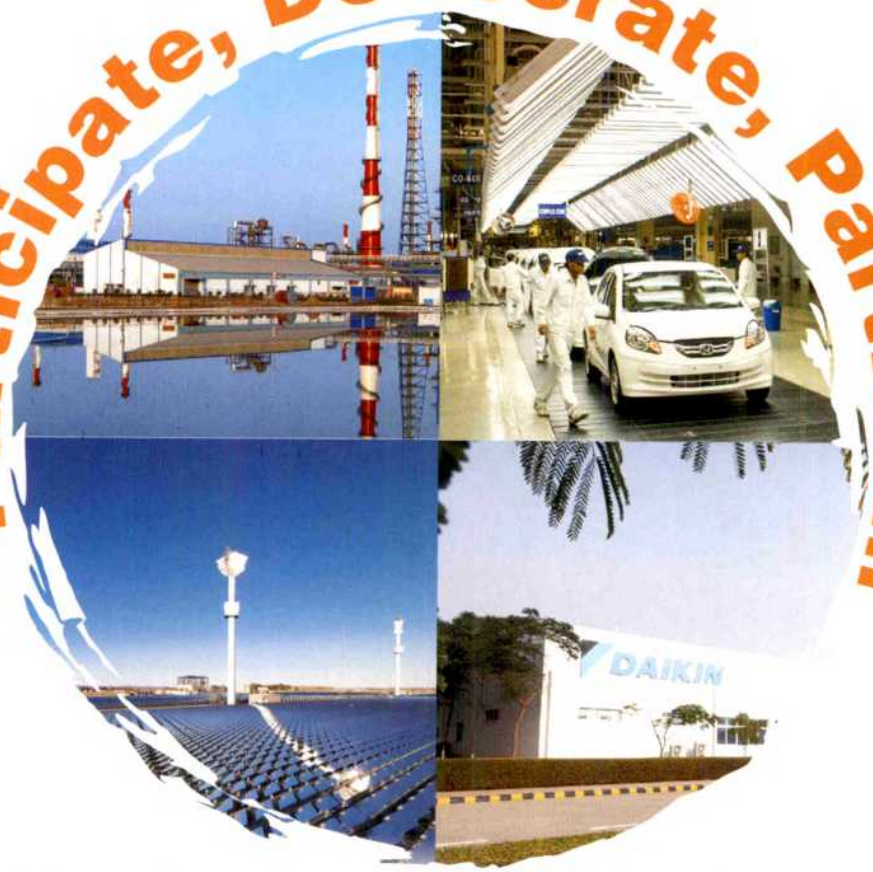
This plan is in line with Prime Minister Narendra Modi's vision to improve India's rank in the Global Ease of Doing Business Index from 134 to 50 within two years and promote industrial growth across the country.

**Some of the key initiatives taken by Rajasthan include -**

- A number of important applications can now be made online, no requirement of physical follow-up by investors
- Tatkal scheme introduced for Consent to Establish and Operate
- Industrial Disputes Act, Contract Labour Act and Apprentices Act amended
- Self-certification in lieu of inspections, labour inspections restricted to once in a year.



# Participate, Deliberate, Partner...




## Rajasthan's Advantages as an Investment Destination

**Rajasthan has abundant natural resources, surplus land, uninterrupted power, skilled manpower and Ease of Doing Business. By virtue of these, the state is fast emerging as a destination of choice for domestic and foreign investors.**

### Strategic Location

Various districts of the state are either a part of, or well connected with National Capital Region, which is a major consumption market. This allows access to an enormous consumer base of 50 million people in the NCR region. Investors in the state have direct access to five major states of India with a combined population of 385 million.

### Land Resources

Geographically the largest state in India, Rajasthan has a comfortable population density. Thus, it offers land in plenty and at competitive prices. With 328 well developed industrial areas there is easy availability of industrial land.

### Skilled Manpower

The state has abundant availability of trained & technically qualified human resources. The state has 45 universities and the technical institutions have an intake capacity of over 120 thousand students. Government has initiated job oriented skill development programme, which seeks to train 1.5 million youth in 5 years.

### Infrastructure

The state has strong infrastructure facilities that include well developed ICDs, an air cargo complex, excellent connectivity by road, rail and air, industrial power and communication facilities to support domestic and international business.

### DMIC

Nearly 39 per cent of the Dedicated Freight Corridor (DFC) falls under Rajasthan and around 60 per cent of the state area falls under the influencer area of the Delhi Mumbai Industrial Corridor (DMIC) planned on both the sides of DFC. DMIC will offer tremendous business opportunities for investors.

### Industrial Power

The industrial activities in the state are supported by uninterrupted supply of power backed by an installed power generation capacity of more than 16,000 MW. With firm steps to augment availability of power the state of Rajasthan is strongly placed to meet the needs of burgeoning industry.

### Investment Facilitation

Rajasthan has systematically created a policy environment that nurtures private enterprise and makes investing in the state profitable. Rajasthan Investment Promotion Scheme 2014 offers an attractive package of financial incentives for investment in a number of sectors. Sector-specific policies have been formulated to promote investment.

### Quality of Life

Well planned and congestion-free cities of Rajasthan have strong urban infrastructure with a variety of accommodation options, wide roads, parks, schools & colleges, hospitals and recreational facilities.

## LUXURY BRANDS GO DIGITAL

**DIOR:** It has launched Dior Eyes, a virtual reality headset that takes people behind the scenes at the brand's runway shows. The headset gives people a chance to see artists applying make-up

**FERRARI:** It has an augmented reality phone app that helps consumers in the US choose the car's colour, wheels, etc. The process can be recorded as a video and shared via email

**RALPH LAUREN:** It tied up with Bloomingdales to unveil an interactive window display for Father's Day. A mobile app allowed users to purchase products from the displays directly from their cellphone

**JAGUAR:** Using sensory technology, Jaguar's 'Feel Wimbledon' captured the emotions spectators felt at the tennis tournament in July 2015 and then shared the results

followed up by some quirky communication on digital platforms, can do wonders for mass brands, a similar course of action for a luxury brand can not only be limiting but also detrimental, say experts. The reason is that luxury consumers, by virtue of being widely-travelled, know the experience that should be offered.

Adarsh Jatia, Managing Director, Provenance Land, the maker of Four Seasons Luxury Residences in Mumbai, says when mass communication tactics, such as celebrity endorsements, are used for luxury brands, the buyer is often put off. "If you are a luxury brand, you should ensure that you get your product or service right. If you do this, consumers will seek you out and you will not have to scream on the top your voice to get their attention." Jatia, who claims to have sold almost all the 26 luxury apartments on offer in his project, says he did not use above-the-line media. "We relied on word of mouth. When the first set of 10-15 influencers experienced what we were offering, the word spread."

And, creating a good-looking campaign is not enough. "From the carry bag's design and the way sales staff folds your bill to music that is playing, if anything falls apart, the myth falls apart," says Nanda of Alok Nanda.

### The Digital Way

Almost 75 per cent luxury advertising and communication is dependent on the print media. "Print allows you to feel the product. From the type of paper we choose to the design and strength of the colour to the way it is detailed, it's hard to get that sense through e-mailers," says Thakur of Design Temple.

However, the tide is turning towards digital, says Amit Chaloo, General Manager, TAG Heuer India. Three years ago, the watch brand's communication was entirely dependent on the print media. Now, almost 30 per cent has moved to digital.

Thakur says while print communicates the feel of the brand better, digital helps brands personally interact with the target audience. She cites the example of MS Scarves. "They not only had someone to make you wear the scarf in different ways, they also had a little booth where you could photograph yourself and post the picture to Facebook or Twitter. You could even walk away with a small Polaroid print."

"Luxury brands are recognising the potential of the digital media to reach out to their target audience and are embracing it rapidly, but digital hasn't replaced offline yet," says Tripti Lochan, CEO, VML Quais, a digital agency of the WPP Group.

### Creating Experience

As luxury communication is all about selling dreams, getting people to live the dream is a good way of selling the product or service. "Indians are looking for unique experiences," says Singh of Dialogue Factory.

Singh gives an example of a 26-year-old who was his co-passenger on a flight from Delhi to Mumbai. The guy tore off a page from the newspaper which had a section on how to pronounce the names of popular luxury brands. "The person's father is with the Delhi Police and had just made ₹40 crore by selling six acres land outside Delhi. He is young, aspiring, and wants to live life king size. This is the new generation of luxury consumers in India."

The point Singh is trying to make is that luxury is no longer restricted to royalty and industrialists. Therefore, while digital and experiential may be great ways of reaching out to consumers, it may not be a bad idea for a luxury watch or a car brand to advertise in a newspaper. After all, India has millions like the 26-year-old man that Singh had met who are eager to consume luxury brands. ◆

"There is a gap when it comes to understanding luxury consumers"

**DALVEER SINGH,**
Head, Experential Marketing (APAC), Dialogue Factory

@AjitaShashidhar

*Priyanka Mathew*
*Regional Director, India, & International Senior Specialist, Modern and Contemporary South Asian Art, Sotheby's*

# SEEKING A WIDER CANVAS FOR GLOBAL ART

## Indian millionaires, the world over, are now experiencing the leisure, the money and the motivation required to enjoy the broader arts

Indians are fast becoming one of the most successful communities, whether they be from the mainland or the vast diaspora spread breathtakingly across the globe.

In North America, there is a large and vibrant community of non-resident Indians, or NRIs, who have achieved success in nearly every field, be it finance, medicine or entertainment. Numerous top executives at several major companies, such as at Microsoft and Diageo, and most recently Google, are Indians.

Leading international banks, such as Citibank, Deutsche Bank and Morgan Stanley, also have Indians in key positions. The strongest new segment of collectors works in the hedge fund industry, where yearly bonuses in tens of millions of dollars are not unheard of and competing for trophy works in auctions is considered as one way to enjoy prosperity. The other major area for NRIs is Southeast Asia. NRI wealth is spread across Hong Kong, Singapore and Malaysia, in industries as diverse as jewellery and shipping.

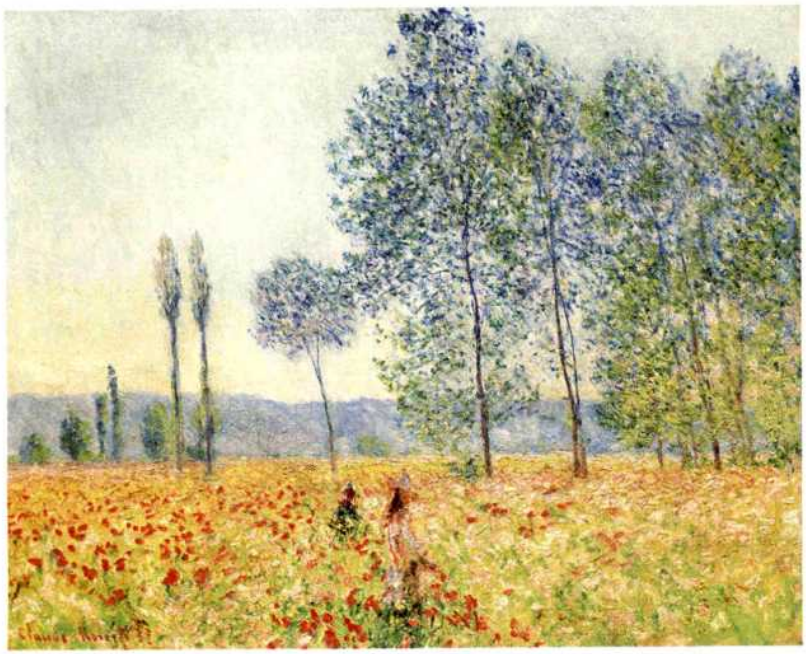
The exciting part of this economic dominance is the developing purchasing power of HNIs (high net worth individuals) in the Indian mainland. The growth in the number of people who fall into the category of 'dollar billionaires', as they are called, has been exponential. This class may represent only 0.05 per cent of the total population, but its spending and investment patterns are noteworthy. Mainland HNIs have limited options to deploy capital due to the absence of many investment alternatives that are available to their counterparts in the west, where financial products such as managed futures and real estate investment trusts provide diversification. One result of this has been the appeal, for these HNIs, of assets such as real estate and gold. However, with the new government in place, optimism about the future has led to a bullish attitude towards equities. It is not unreasonable to conclude that as their capabilities increase, they will search for opportunities beyond these traditional investment options. In such a case, art &

Amrita Sher-Gil's "Self Portrait" from Sotheby's March 2015 auction. The work was estimated to fetch $1.2-1.8 million, but was finally sold for $2.92 million. It was bought by a bidder from the US; an Indian collector was among the top three bidders

high-end collectables will be an area of attention.

It is thought-provoking to analyse how the collecting and spending patterns of Indians are developing diversely based on their conditioning. India's cultural traditions are as old as human civilization and for much of its history the ruling classes have been patrons and supporters of the arts. But with independence, as the country turned into a modern economy, that patronage has been slowly but inexorably replaced by newly-minted wealth from a variety of sources. With international travel, both for work and leisure, on the rise, there is an appetite for luxury experiences that are of global standards. In contrast, Indians who have emigrated abroad and found success seem to be developing a much more receptive mindset towards collecting art. Being away from the country of their origin, yet retaining a keen desire to stay connected to its cultural pulse, they are much more inclined to spend freely on cultural objects. That, coupled with the fact that they work side by side with the western elite, who has a much more entrenched tradition of supporting the arts, makes them eager to take up the role of collectors in the more focused categories of fine arts.

The above factors make the Indian art market a very attractive area for the future. It has a diverse buyer base that is not connected to the fate of one economy. In order to fully understand what that potential might be, it is valuable to study the past to understand what has been restricting growth. Speculative buying between 2006 and 2009 caused the Indian art market to grow very fast. The economic crisis in 2009, coupled with closure of a major gallery supporting the contemporary section of the Indian art market, saw prices in that area fall sharply. By contrast, the market for modern Indian art, produced in the immediate post-war period and after that, held up better through the crisis. Over the last four years, we've seen a correction, followed by a much healthier, measured and sustained growth. Looking at



The Monet SOUS LES PEUPLIERS, which was underbid by an Indian client in the Impressionist & Modern Art Evening Sale on November 4, 2014 to the level of $17.5 million

Sotheby's auctions of modern and contemporary art over the last two years, sales increased from $5.4 million (March 2013) to $7.7 million (October 2013) to $10.6 million (March 2014). Prices of top Indian artwork are crossing the $1 million and $2 million marks with relative ease.

We have also noticed the increased appetite for international collectables such as high-end watches, jewellery, impressionist and contemporary paintings and the world's best automobiles. Increasingly, the top bidders in these categories are from countries outside the North Atlantic axis. Recently, a major Indian client came close to securing an important painting by Claude Monet when it underbid up to the $20 million level. These are areas that mainland Indian buyers are getting more curious about.

This March, I experienced the most exhilarating moment of my over decade-long career in the art world when I presided as auctioneer over Amrita Sher-Gil's "Self Portrait", which sold for $2.9 million, a record for an Indian woman artist. There were many things about the sale that were remarkable. It was a special privilege being the first female South Asian auctioneer at Sotheby's to achieve a world auction record for the greatest female Indian painter. The bidding was spirited, but something significant happened at the end as it grew tense and inched its way towards the record price that it achieved. During the increments of the final million, the work was chased by three bidders, one from mainland India, one from the European continent and one (the winning bidder) from the United States. This reveals the global breath of the Indian collecting muscle. ◆

## TOP DEALS IN SOTHEBY AUCTIONS IN THE 2015 FIRST HALF

New York, May 2015
Vincent van Gogh
L'ALLÉE DES ALYSCAMPS
PRICE: **$66.33 mn**

New York, May 2015
Mark Rothko
UNTITLED
(YELLOW AND BLUE)
PRICE: **$46.45 mn**

Geneva, May 2015
Rare ruby and diamond ring, Cartier
PRICE: **CHF 28.25 mn**

Hong Kong, April 2015
A 'Guan' octagonal vase from Southern Song dynasty
PRICE: **HK$ 113.88 mn**

London, May 2015
Lucas Cranach the Elder
La Bocca Della Verità
(The Mouth of Truth)
PRICE: **£9.33 mn**

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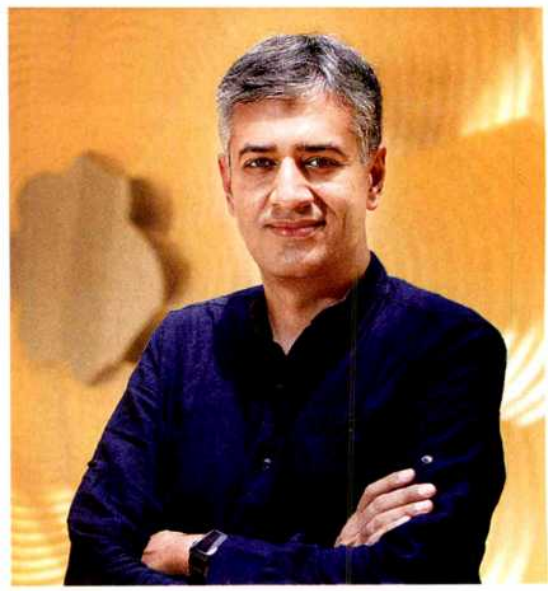

VIVAN MEHRA

*Ankur Bhatia*
*Executive Director, Bird Group*

# SKYHOMES GET ROOMIER

## For the busy businessman, time is the greatest luxury and private jets afford more time. Yet, few Indians opt for this luxury

When you are flying it is all about the leg room. It's no different in the case of private jets, which are getting more and more spacious with the likes of Saudi Prince Alwaleed Bin Talal spending an estimated $500 million on an Airbus A380 for his personal use.

Consider what all you can do in an apartment of 6,000 sq ft – well, that's the size of the A380. From wellbeing rooms and *hamams* to swimming pools and plush suites, the interiors can be fitted out like a luxurious penthouse.

But the A380 is the sky home of only the super-elite club. For the most part, Gulfstream jets or Dassault Falcons rule the skies as the popular option of the busy industrialist. Since space on these jets is restricted, the interiors are kept more practical and businesslike.

The market for private jets has now become quite large. It's grown especially in the US, where corporations use them to fly across the length and breadth of the country. The US is a large playfield for private jets because of the well-developed general aviation infrastructure. Latest trends, however, show that Europe is fast catching up with the US market while Asia is still lagging behind. India, unfortunately, has not created ample infrastructure for general aviation. If you look at London, it has four general aviation airports in addition to the civil aviation airports.

By contrast, Delhi and Mumbai depend on the two

The plush cabin of the Gulfstream G650 jet

main airports. In Delhi, the Safdarjung airport could have been used more, but there are too many restrictions on flights there. Mumbai has the potential with the proposed expansion of the Juhu aerodrome but that has been delayed. Unless these infrastructural challenges are overcome, the private jet market here will not take off.

Globally, the private jet market has got a fillip because the acquisition price of aircraft has come down and turnaround time for delivery is much faster than before. With the crisis in Greece, it's the right time to buy with plenty of deals available in the marketplace.

If somebody wants to acquire a jet, going through aircraft brokers is the best option. You can also go direct to the manufacturer and try and negotiate deals. There are also marketplaces for private jets.

A huge market for used jets also exists. Most Indian corporates tend to buy only second-hand jets, especially if they are first-time buyers, mainly because they can test how useful the jet is. In India, a lot of people who can afford to fly private jets don't because of infrastructural challenges, costs and maintenance and the perceived value. I would guess there are fewer than 1,000 private aircraft in the country with half of these being helicopters.

Typically, private jets that most Indian industrialists use – Gulfstream, Bombardier Global Express or Dassault Falcon – can only do six to seven-hour journeys. For the long haul - flying from here to the US, for instance – they still prefer to fly commercial. But within the US, they do charter, mostly through time share companies such as VistaJet, NetJets or Flight

# IN FULL FLIGHT

Citius, Altius, Fortius is the Olympic motto. It is a pretty good description of the race currently on among the private jet manufacturers to build bigger, faster, higher flying and longer range jet planes for the private market.

If you discount the Boeing and Airbus business jet families - which are essentially commercial aircraft bodies customised for the business/private jet market - the race for the top position has largely been between Gulfstream, Dassault (which also makes the Rafales that the Indian Air Force is planning to buy) and Bombardier.

At the moment, Gulfstream is the undisputed king - with its Gulfstream G650 and G650 ER jets. The G650 was already the jet with the biggest cabin and longest range, and swept the corporate jet market before the G650 ER was introduced. If the G650 could fly non-stop between New York and Dubai, the G650 ER has an even longer range - and can fly from New York all the way to Hong Kong. The new G650 can be yours provided you are willing to wait a couple of years (it has a long waiting list) for about $65 million. If you want to skip the waiting period and pick up a second-hand one, you might actually have to pay more - some owners of the G650 have already sold them on to eager buyers at $70 million or more. Of course, Gulfstream strongly disapproves of this practice of flipping and actually gets its new customers to give an undertaking that they will not sell the plane quickly.

The two main competitors for the G650/650ER on the horizon are the Dassault Falcon 8X and the Bombardier Global 8000. The Falcon 8X has been launched and the first deliveries are expected to be around 2016. While it is not as long or as fast as the Gulfstream, it has a wider cabin, and is supposed to be the champion in taking off and landing from extremely short airstrips. The Gulfstream requires a longer runway. The Falcon 8X also boasts of three engines (as opposed to the Gulfstream's two) which is supposed to make it more reliable, though no Gulfstream has suffered from having an engine less than the Dassault challenger. In terms of range, the Falcon 8X is more of a rival to the G650, given that it can fly from New York to Dubai non-stop. But you would need to refuel if you were flying further east. It is expected to be somewhat cheaper though - priced at an estimated $58 million, which could make it an attractive alternative to people who don't want the Gulfstream

The Gulfstream G650 is one of the world's top private jets

Bombardier is meanwhile launching the Global 7000 and Global 8000, which are expected to hit the market in two years time. Both are squarely aimed at the G650/G650 ER customers - being ultra long range, and at least as big in size. They are expected to cost around $70 million. But then, given the way Gulfstream has been launching variants of its G series, do not be surprised if they hit the market with a G800 or G850 by the time Bombardier's new planes hit the skies. - **Team *BT***

Options that have good aircraft available. There are no fixed costs; the charges are based on per hour of usage. A lot of people find that better as costs are expensed out to companies and are in balance sheets.

By contrast, when you own a plane, there are fixed costs on the aircraft, pilot, maintenance and so on. Unless you clock 800 to 900 hours of flying time a year – that's about 90 hours a month – owning a jet is not practical. The other challenging issue in India is more regulatory. You can either own the jet under private ownership or you can include it in the company books by taking a non-scheduled operator's permit. But if you go for this permit, there is a minimum number of aircraft that you have to own, which means you need to buy more planes. Also in India, the duty structure is a bit of a downer for people looking to acquire planes.

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+91 916772 29693
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Email: crm@ampsuperbikes.com

## New Delhi

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Bombardier Global 8000

## JET, SET, GO: THE COST OF A BUSINESS JET

| Type | Use | Models | Price range |
|---|---|---|---|
| **TURBOPROPS** | Short distance and economical flying | Beechcraft | **$2-$5 mn** |
| **VERY LIGHT JETS** | Short distance and economical flying | Phenom 100, Cessna Citation Mustang | **$3-$5 mn** |
| **LIGHT JETS** | Longer distance | Cessna Citation 1, Phenom 300 | **$4-$6 mn** |
| **MIDSIZE JETS** | Long distance and international flying | Gulfstream 200 Hawker 800XP | **$5-$20 mn** |
| **LARGE JETS** | Long distance with extra comfort | Gulfstream G450 and G550, Falcon 900X | **$20-$40 mn** |
| **HEAVY JETS** | Long distance, luxurious travel | Embraer Lineage, Boeing and Airbus Biz Jets | **$40-$300 mn** |

Source: Netz Capital

Coming to the aircraft, the choice really depends on how vast your operational area is and where you fly regularly to. If you have fixed operations in North India, and are only going to fly in that region, then a smaller aircraft will do. If your footprint covers all of Indian subcontinent and extends to Dubai, Thailand etc, you should look at larger planes.

India is largely a turboprop market. General aviation booms during election time. But five to seven years ago a new market was created. This segment of very light private jets includes aircraft such as Eclipse, Embraer Phenom, the smaller Cessna and HondaJet that cost $3 million to $5 million. Typically, these are five to six seaters. They became popular during the recession, but might remain in favour.

Globally, the challenger series from Bombardier and Dassault Falcons dominate the skies for short-haul flights, while Gulfstream rules the long range. Gulfstream has been innovating a lot of late and introducing new products. Its new G500 can do transatlantic journeys in one leg.

When you look at private jets as an indulgence, then you can buy wide-bodied Boeing and Airbus jets. In India, most people still view private jets as business utility tools and typically go for Gulfstream or Embraer aircraft. Only the rare industrialist such as liquor baron Vijay Mallya would go in for a Boeing 727.

When it comes to indulgence, interiors of private jets can cost as much as the plane itself. An A380 would set you back by $300 million and you could splurge another $200 million to fit it out with the luxuries you want. The sky is the limit. ◆

*As told to Chitra Narayanan*

## UBER OF THE SKIES

Those with deep pockets who want to avoid commercial flights can now book a private jet through an app! **BlackJet,** a membership-only service started by Uber co-founder Garrett Camp, takes advantage of chartered jets flying empty legs. Members can scan these flights and pick up seats in the one they want - paying **$950** for short flights and **$3,500** for long hauls. Its membership fee starts at **$2,000.**

## FASTER, FARTHER

Gulfstream has unveiled two new super jets. The **G500** with a price tag of $43 million and the $54-million **G600** have bigger cabins, fly faster and are more fuel efficient than earlier planes. The G500 can even do long hauls - taking a traveller from New York to Moscow nonstop, while the G600 can get fliers from New York to Dubai in one leg. The extra speed will save the average Gulfstream flier up to a week in travel time. - **Team *BT***

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(The awards are sponsored by CMO Asia a network of Asia's top marketing decision makers)

**WOW Awards Asia 2015**
- GOLD Award in 'Sports Event Property of the Year' Category
- GOLD Award in 'New Property of the Year' Category

(Introduced in 2008, these awards recognize excellence in event & experiential marketing)

**Asian Marketing Effectiveness & Strategy (AMES) Awards 2015**
SILVER Award in 'Sponsorship & Event Marketing' Category
(AMES Awards are Asia Pacific's foremost awards honouring the best marketing strategies)

**World Auto Forum Awards 2015**
Winner in 'Best Innovation' Category
(These awards reward and recognize performance in the automobile world)

## NATIONAL AWARDS

**Indian Effie Awards 2014**
SILVER Award in 'Experiential Marketing' Category
(The awards recognize all forms of communication for brand success)

**EEMAX (Event & Entertainment Management Association) Awards 2014**
- GOLD Award in 'Best Signature Event of the Year' Category
- SILVER Award in 'Best Outdoor & Public Event of the Year' Category

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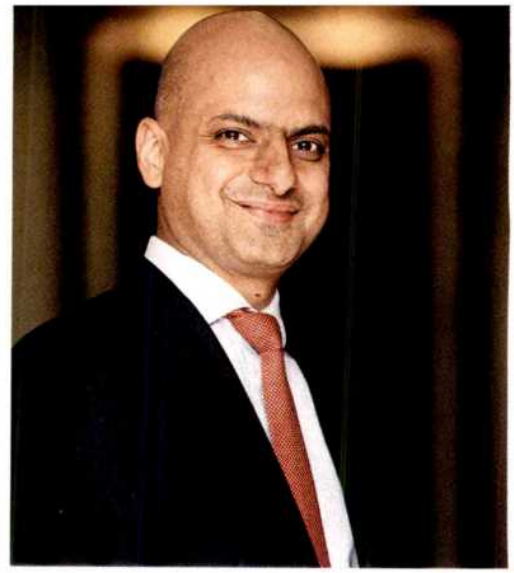


*Anshu Kapoor*
*Head, Global Wealth Management, Edelweiss Financial Services*

# INVESTING SECRETS OF THE SUPER RICH

## It's no longer just real estate and gold - high net worth individuals are increasingly parking their wealth in non-traditional investments

**"Can I get exposure to a budding start-up in the e-commerce industry?"**

**"Can you provide me an investment vehicle to capitalise on arbitrage opportunities?"**

**"How can I invest in a new asset class like currencies?"**

With changing times, these are the sort of questions getting thrown at us from our high net worth individuals (HNIs) and family office clients. The investor behaviour has evolved – clients are now not hesitant to tap into unconventional investment avenues. Let us take a look at some of the solutions across different asset classes that have gained traction over the last couple of years:

### Allocation to alternate equity solutions

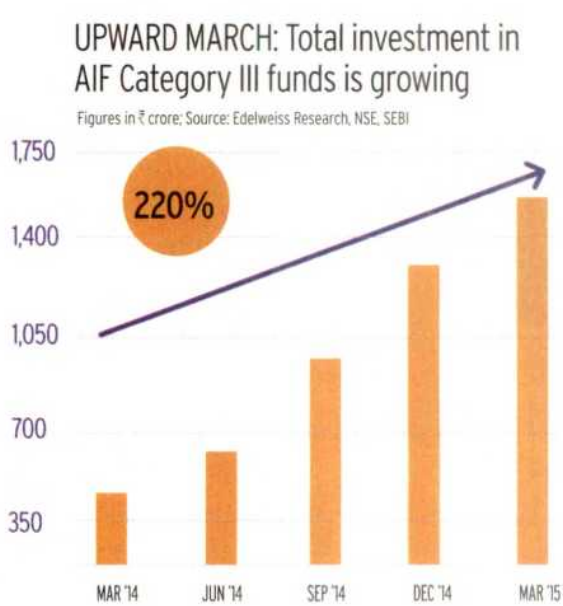
On the equity side, while mutual funds have shown growth in assets under management (AUMs), there are also a lot of other non-traditional investment vehicles that HNIs are investing in. Alternate Equity Funds, under the Category III Alternate Investment Fund (AIF) route, is one such example. Sophisticated investors are showing eagerness to move from long-only investments to special situation long-short and risk arbitrage opportunities. With corporate actions (IPOs, mergers and acquisitions, open offers, etc.) and government divestment picking up, the opportunities to capture such trades are also on the rise. Category III funds, with their multi-strategy investment schemes, provide investors exposure to such opportunities. They combine long-only strategies with opportunistic short and risk arbitrage strategies – such a combi-

The National Stock Exchange building in Mumbai. Many HNIs are investing in stock and index futures to build their portfolios

nation provides more consistent and higher risk adjusted returns. Investments made under AIFs Category III have increased by approximately 220 per cent in a year to over ₹1,500 crore in March 2015. (See graph on the right.)

## Portfolio hedging and use of derivatives

Another trend we have noticed is the increasing use of derivatives. Some investors are building portfolios using stock and index futures, which provide them capital efficiency. Many investors are using derivatives to hedge their long-only portfolios in times of extreme volatility (like the recent Greece crisis). We have also advised some of our CXO-level clients, who have a significant concentration in their portfolios (in several cases, in multiples of hundred crores) due to ESOPs (Employee Stock Options) accumulated over the years, to hedge their exposure using derivatives.



## Structured products for equity participation with protection

Structured products provide features that cannot be obtained through traditional investments in stocks and bonds. These products can provide capital protection and varying participation rates based on the investors risk profile. Investors are using these solutions to express a specific view on the market. For example, one of our clients had a pessimistic view on banking and was looking for ways to get exposure to the same. We were able to create a structure to provide him with 150 per cent downside participation (where client benefits from a fall) on Bank Nifty with capital protection. Moreover, a quarterly liquidity option provided additional comfort in case the client's view changed over the tenure of the product. We are witnessing increasing interest in such solutions amongst our sophisticated clients.

## Innovative solutions for fixed-income investments

Looking at the fixed-income space, investors are now accessing Interest Rate Futures (IRFs) to build long dated fixed income portfolios. An IRF provides the benefits of several maturity options, liquidity and capital efficiency. The daily turnover in IRF has grown substantially over the last financial year to almost ₹2,000 crore (see *New Avenues* on next page).

HNIs who have idle stocks in their portfolio which they do not plan to sell in the near future, are now using Securities Lending and Borrowing Scheme (SLBS), which enables them to earn fee income by lending these stocks to counterparties who use it to take short positions. The average monthly transaction value for the last financial year was approximately ₹400 crore.

One of the biggest changes seen in recent months is the popularity of arbitrage mutual funds amongst HNIs. Arbitrage funds, which are low-risk, aim to benefit from the price differential of a stock in the cash and future markets. They are treated as equity funds

Ratan Tata, Chairman Emeritus of Tata Sons, has been parking his wealth in start-ups. He has already betted on 12: Altaeros Energies, Snapdeal, BlueStone, Urban Ladder, Swasth India, CarDekho, Grameen Capital, Paytm, Xiaomi, Kaaryah, Ola and Ampere Vehicles

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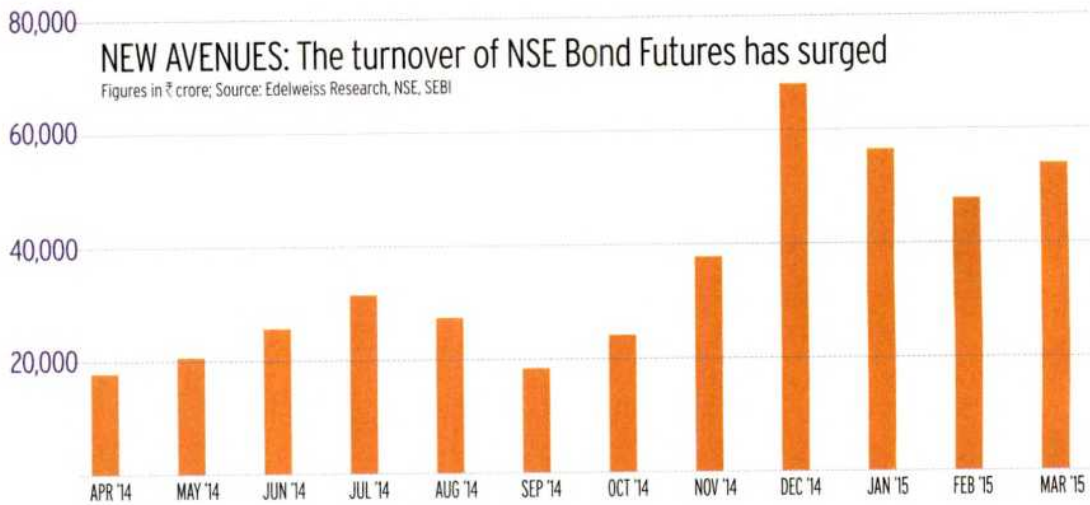



NEW AVENUES: The turnover of NSE Bond Futures has surged

Figures in ₹ crore; Source: Edelweiss Research, NSE, SEBI

for taxation purposes and hence are not taxed if held for more than a year. Arbitrage funds have witnessed a remarkable rise of over 90 per cent in AUM (₹26,000 crore as of June 30, 2015) in the March-to-June 2015 quarter.

## Currencies as an asset class

With the increasing volatility in global markets, investments in currency market are also coming into the limelight. Currency derivatives are being used not only for hedge exposure, but also to express views specific to a particular currency.

## Trends in real estate

Coming to real estate, we are definitely witnessing an aversion to direct investments in residential properties (as a financial investment). Instead, we are seeing the preference towards investing in the asset class through non-convertible debentures issued by reputed developers or AIF funds. Investments by PE funds in real estate projects almost tripled in the first six months in 2015. On the commercial real estate front, investments in yield bearing pre-leased assets with quality tenants are generating substantial interest.

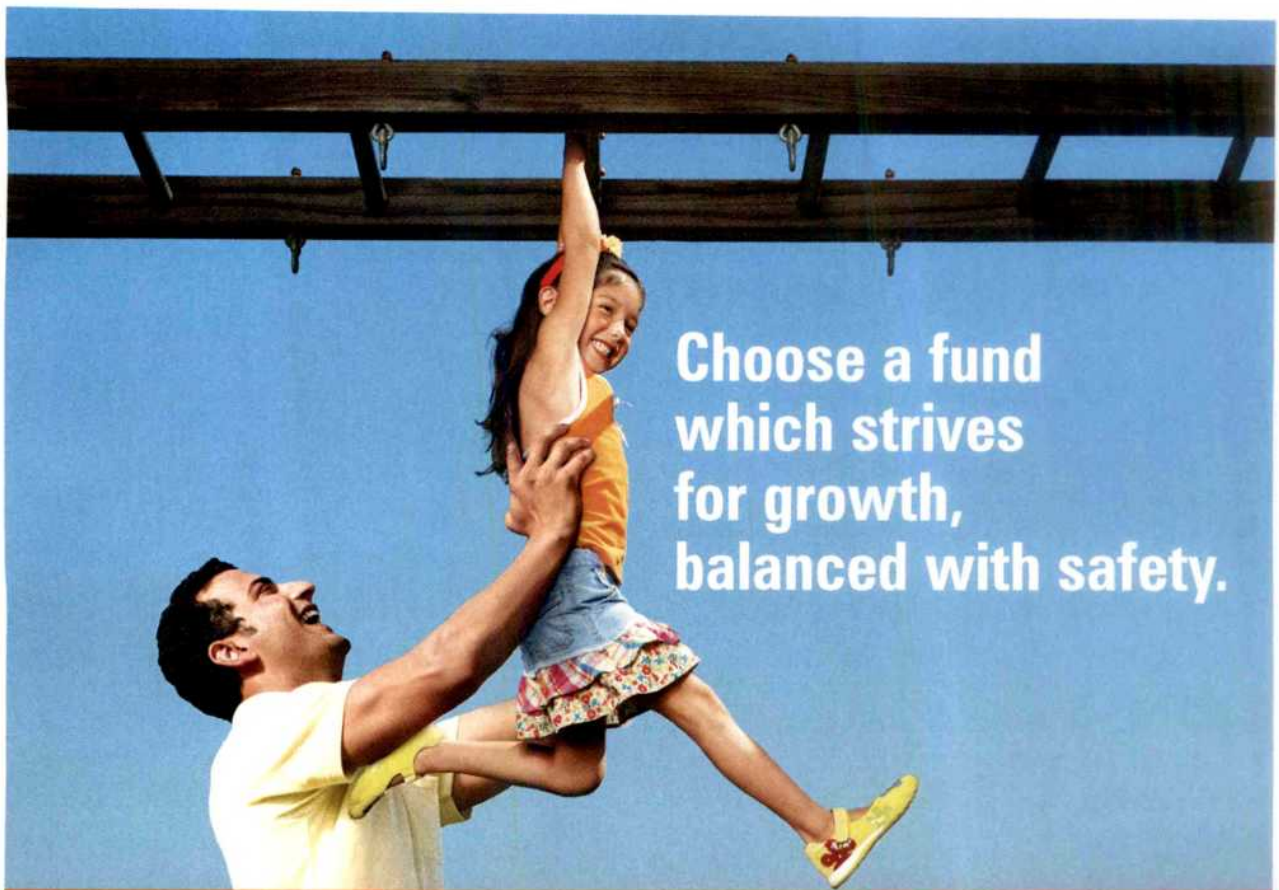
## Private equity

And last but by no means the least, with the rise and rise of investment activity in the start-up space, HNIs investors are also seeking a piece of the pie – either through direct investments or through private equity/venture capital funds. HNIs have invested more than ₹1,200 crore into venture capital funds over the last year. Though many HNIs have realised the potential, there is a lot of scope to increase awareness about this as an asset class. The investment parameters are completely different compared to other investment instruments. PE/VC funds come with high return potential but the longer time horizon and illiquidity risk needs be taken into consideration before investing.

To sum up, it is clear that new and innovative solutions are here to stay given the interest they have been able to generate from HNIs. The wealth management industry now needs to create awareness about these solutions. ◆

The number of high net worth households in India is now estimated at 137,100 with an accumulated net worth of

**₹128 LAKH CRORE**

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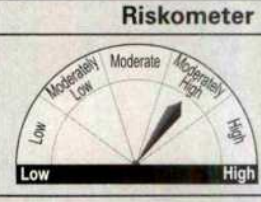
| • **Long term wealth creation solution.**<br>• **An equity fund that aims for growth by investing in equity and derivatives.** |  Investors understand that their principal will be at moderately high risk |
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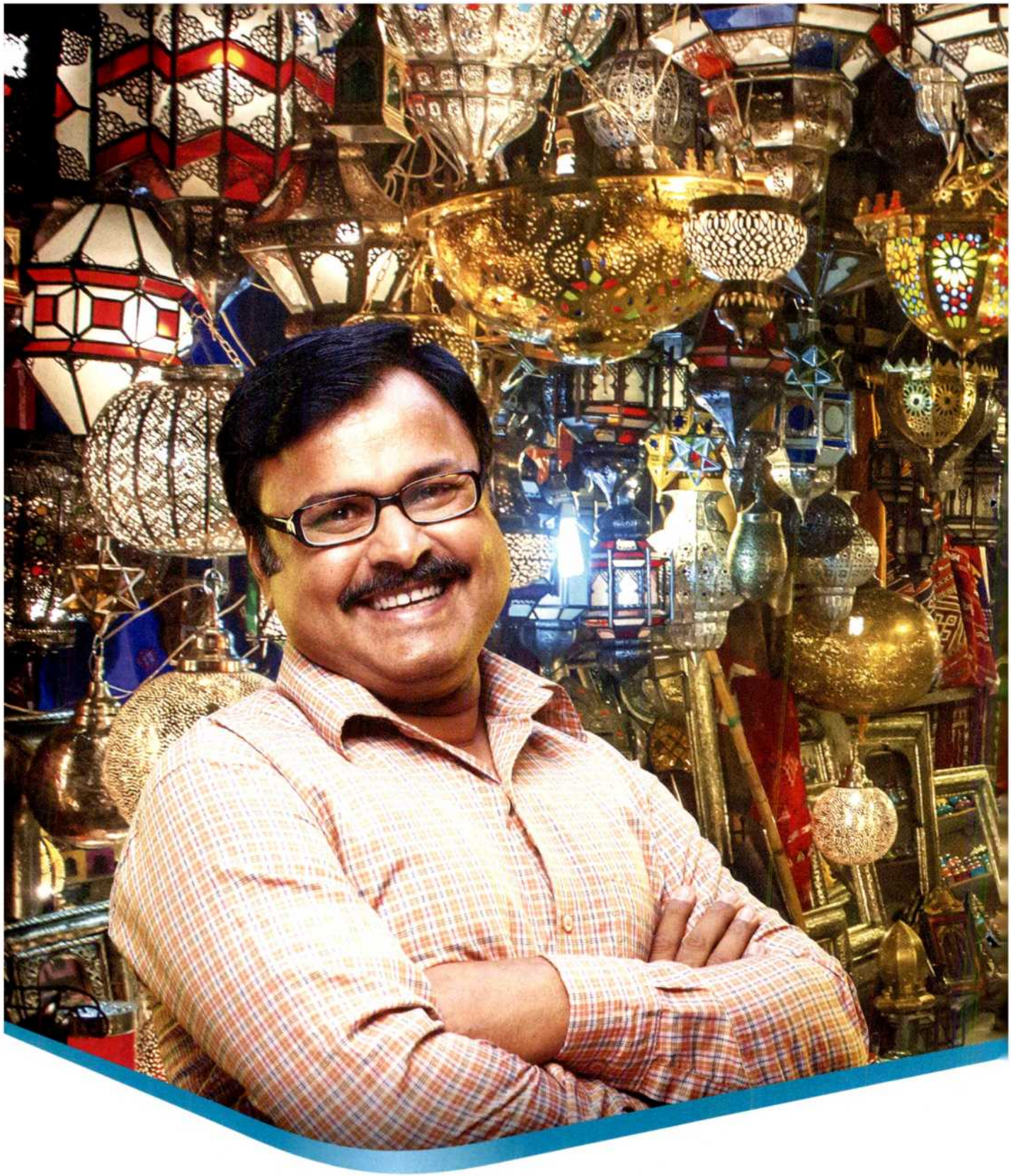

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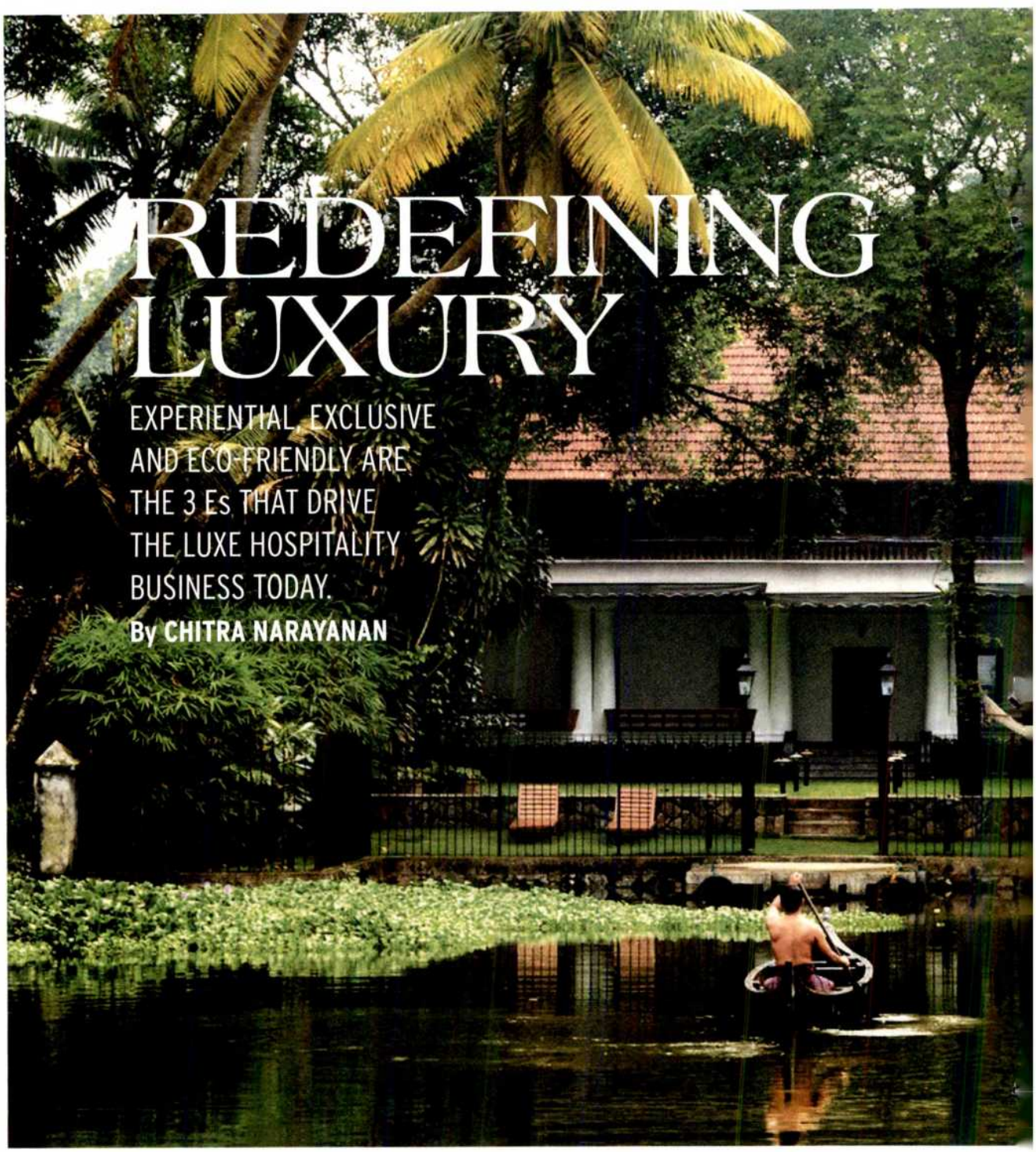
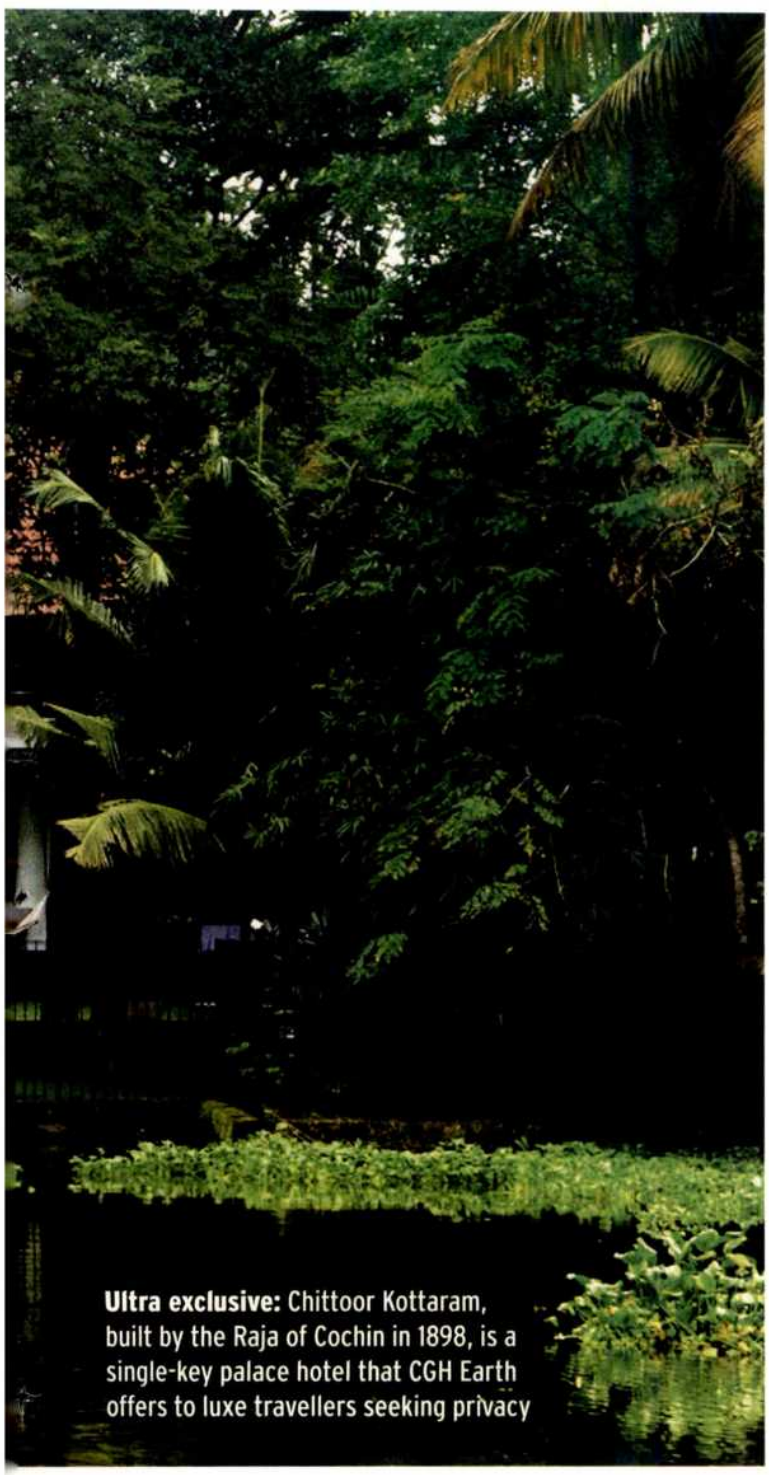


# REDEFINING LUXURY

EXPERIENTIAL, EXCLUSIVE AND ECO-FRIENDLY ARE THE 3 Es THAT DRIVE THE LUXE HOSPITALITY BUSINESS TODAY.

**By CHITRA NARAYANAN**



**Ultra exclusive:** Chittoor Kottaram, built by the Raja of Cochin in 1898, is a single-key palace hotel that CGH Earth offers to luxe travellers seeking privacy

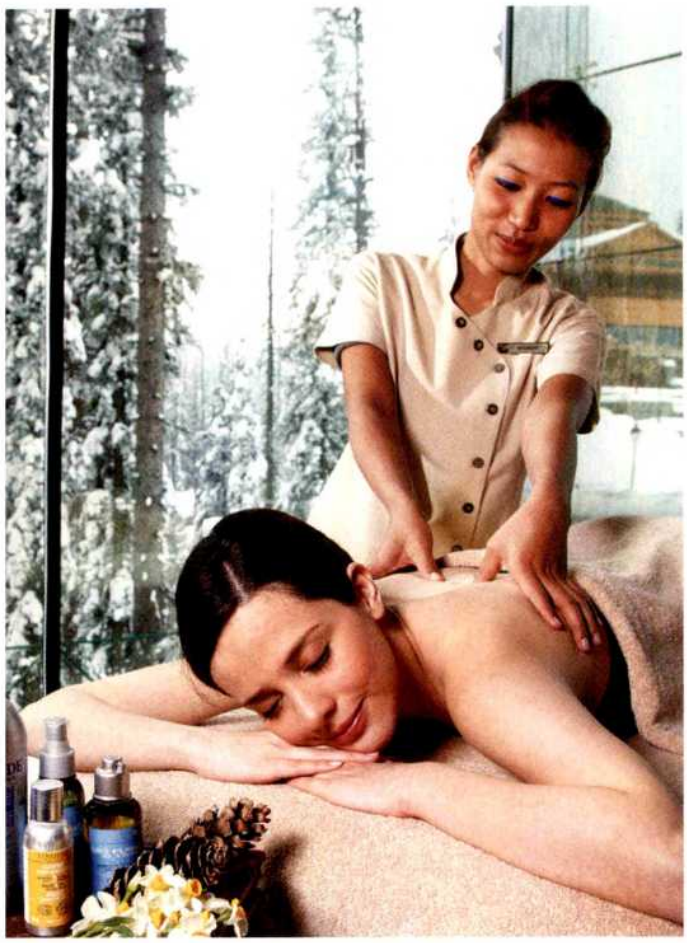
Luxury is at a discount today," says Ashish Jakhanwala, MD and CEO of SAMHI Hotels, when you ask him what is the top trend in luxury hospitality.

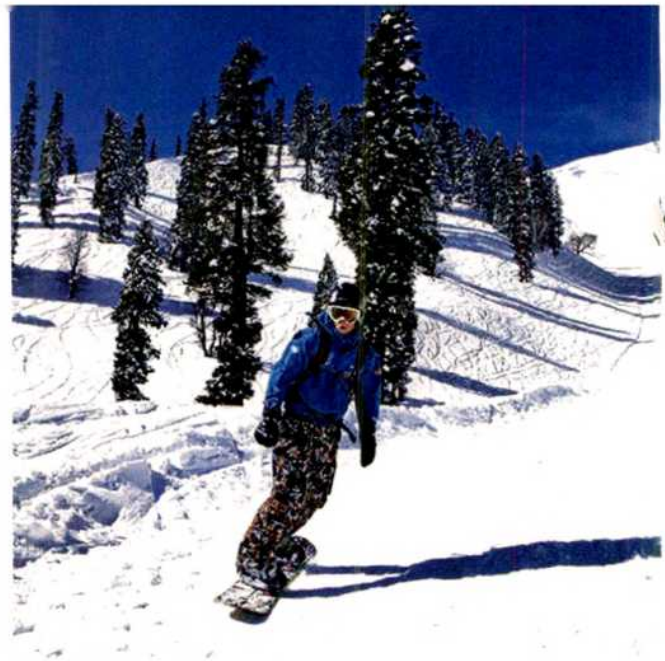
For luxury hospitality chains, as if battling price pressures was not enough, a host of other disruptors are conspiring to give them nightmares.

Airbnb, for one. The home sharing website which sent budget hotels in a tizzy, has now encroached into the luxury apartment space too. Now it's the turn of the five star hotel chains to start worrying.

Just trawl through Airbnb's luxury home stays and you will find at least 300 luxurious apartments in Paris. From spectacular hilltop villas in Italy to historical corner lofts in New York's happening Manhattan district there is top-notch accommodation available for around €1,000 in Europe or $1,500 in the US. Posh hotels have a reason to take fright. For, one big trend in travel today is the way the luxe consumer is increasingly experimenting with staying in private villas. Add to that, today, it is the era of the conscious traveller who wants to go eco-friendly, try new experiences and is tired of the same five-star drill.

So what are the hospitality majors doing? Well, they have no choice but to reinvent themselves and so hotels are building private zones for





**EXPERIENCES SELL:** The product matters but it's the experiences that are a lure, feels Umar Tramboo of Khyber Himalayan Resort and Spa (left), an uber luxe getaway in Gulmarg that rides on its skiing and spa experiences

their uber luxe guest in the new developments coming up. And creating some unforgettable experiences to hook the traveller.

"The design of the luxury resorts is building more privacy in accommodation," says Dilip Puri, Managing Director, Starwood India. He describes how in Maldives the chain's top brand, St. Regis, is coming up with villas that are built completely private. In India, he says, they are in talks with a developer in Lonavala near Mumbai to create branded residences for the well-heeled.

Down south, hospitality and tourism veteran Jose Dominic of the CGH Earth Group has come up with a radical new offering – a one-key hotel in Kerala. Chittoor Kottaram, the tiny palace that the Rajah of Cochin, Rama Verma, built for himself in order to be close to the Guruvayur Temple is now converted into a hotel. But only for one family. Chittoor can accommodate just six people. There are lots of dos and don'ts for guests booking into the property. They need to enter barefoot and stay that way. The menu is rather sparse – only one item a day.

And yet people book a stay in this unique hotel where the promise is you will be treated like a Kerala king only for the sheer novelty of the experience.

"The luxury traveller is not only financially capable but is also a global citizen, design savvy, tech savvy, a foodie and constantly looking for new and unique experiences. This segment will continue to command and drive change the world over," says Umar Tramboo, MD of Pinnacle Resorts, which has created the rather exotic boutique hotel Khyber Himalayan Resorts and Spa in the ski town of Gulmarg.

The demographics of the luxury traveller is undeniably changing. More millennials now can afford five-star stays, and their tastes and needs are different. For them, says Puri, the traditional offering does not suffice. That's why, he says, when the St. Regis opens in Mumbai (it's expected to launch in September), the chain will be investing in a lot of rituals. The Bloody Mary was invented at the St. Regis in New York, so the hotel has made it a tradition to play up its connection with the cocktail and offer a local version at every city it is in.

## Local Rituals

At the Khyber, an elaborate *tarami* – a Kashmiri feast served at weddings – is one of the big experiences for guests staying here. At the tea zone – Chaikash – guests can taste local saffron tea looking at the mountain ranges.

"Guests appreciate some authentic experiences from the location woven into their stay," says Puri, describing how increasingly chains will place local artefacts in the room, encouraging guests to visit the craftsperson.

Interview with Ankur Bhatia of Bird Group at businesstoday.in/birdgroup-bhatia

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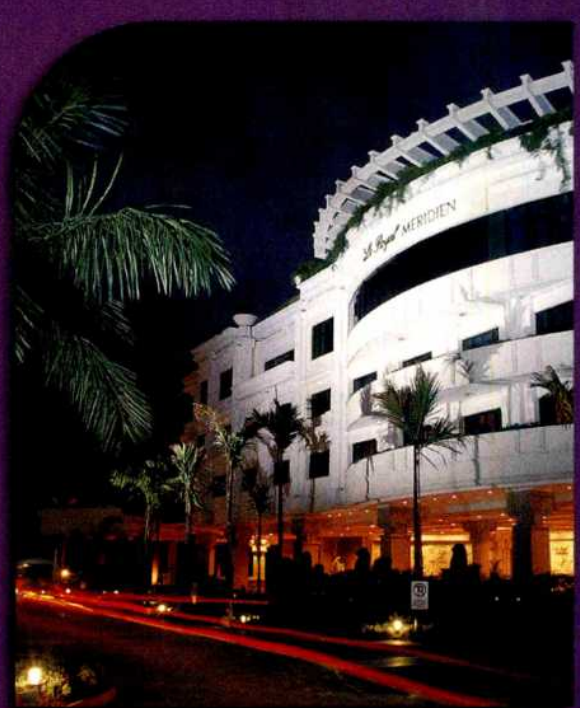

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Interview with Rati Dhodapkar at businesstoday.in/abercrombie-dhodapkar

Epicurean journeys delving into a region's heritage are also big-selling items in most five-star hotels today in India. So in Delhi the luxe chains will take you on food trails to Old Delhi or curate special recipes from there.

At ITC hotels, the chain has taken enormous pains to make sure that the food served mimics the cuisine of the region. So the Grand Chola in Chennai will go all out to serve Chettinad and other cuisines.

Starwood's Puri talks about even arranging dinners at local homes of celebrities – say a Bollywood star in Mumbai or a socialite. "Eat at a local's house" is a big trend to hook travellers. Rati Dhodapkar, Abercrombie and Kent's MD for India, also says that when they arrange bookings for foreign travellers to the country, requests often pour in to arrange a dinner at home with a local celebrity.

**VYING WITH VILLAS: Hospitality majors now compete with private homes and villas as the rich increasingly crave the home setting**

## Riding on Well-being

Most luxury properties are changing their positioning to capture the market for well-being – which is one of the fastest growing drivers in travel. Says Tramboo: "People are now travelling around the world to pursue activities that enhance their overall well-being, thus seeking authentic experiences like spa, wellness treatment or rejuvenation."

This is why Khyber has invested in a gigantic spa wing and tied up with global brand L'Occitane. With three single treatment rooms and two couple suites, each with its own private steam chamber, the spa aims to bring to life the invigorating climate of Gulmarg. But in terms of size, it can't match the sprawling Kaya Kalp spa at the ITC Grand Bharat where an entire floor of the main building, spread over 32,000 sq. ft. is given to well-being. At the ITC Grand Chola it is spread over 22,000 sq. ft.

Interestingly, it's not a uniform experience at all the ITC hotels. The effort is to introduce indigenous therapies for indigenous regions. So at the Chola the treatment will be more from the southern traditions, while at the Maratha it draws on local treatments. And significantly, ITC, has a *Swasthya* (healthy) menu for guests who book their wellness packages.

Chains are getting really innovative when it comes to well-being. Starwood's Westin chain for instance is experimenting with a running concierge to accompany guests who like to go jogging.

## Digital Forward

Almost every hotel chain has woken up to the power of digital, especially social media. So blogger outreach, pictures on Instagram, contests on Twitter are all becoming ways of engaging travellers. Ankur Bhatia, Executive Director, Bird Group, and the man behind the luxurious urban resort Dusit Devarana, describes how a picture of a sculpture at the property posted by a guest on Instagram got someone in New York interested in the property. Puri describes how Le Meridien is using the social network actively. "We send a photographer to an exotic location and build up the destination through Instagram," he says.

The hotel chains are undeniably thinking out of the box today – the only question is will they be able to keep pace with the consumer? ◆

@ndcnn

## WHAT IS LUXURY HOSPITALITY ALL ABOUT TODAY

**WHAT IT IS NOT**

←It's no longer a reference to cost

←It's not about a 'star rating' hotel

←It's no longer about things - Italian marble, fancy furnishings

←It's not '24/7'

←It's no longer 'acquisitory'

←It's not buying into labels for status

←It's not 'one size fits all'

**WHAT IT IS**

←Priceless, but has to be perceived worthwhile

←Small, boutique hotels can be more luxurious

←It's intangible

←Give them what they want, when they want and how they want

←It's emotional, experiences

←It's buying into beliefs - organic, ethical

Source: Starwood Hotels

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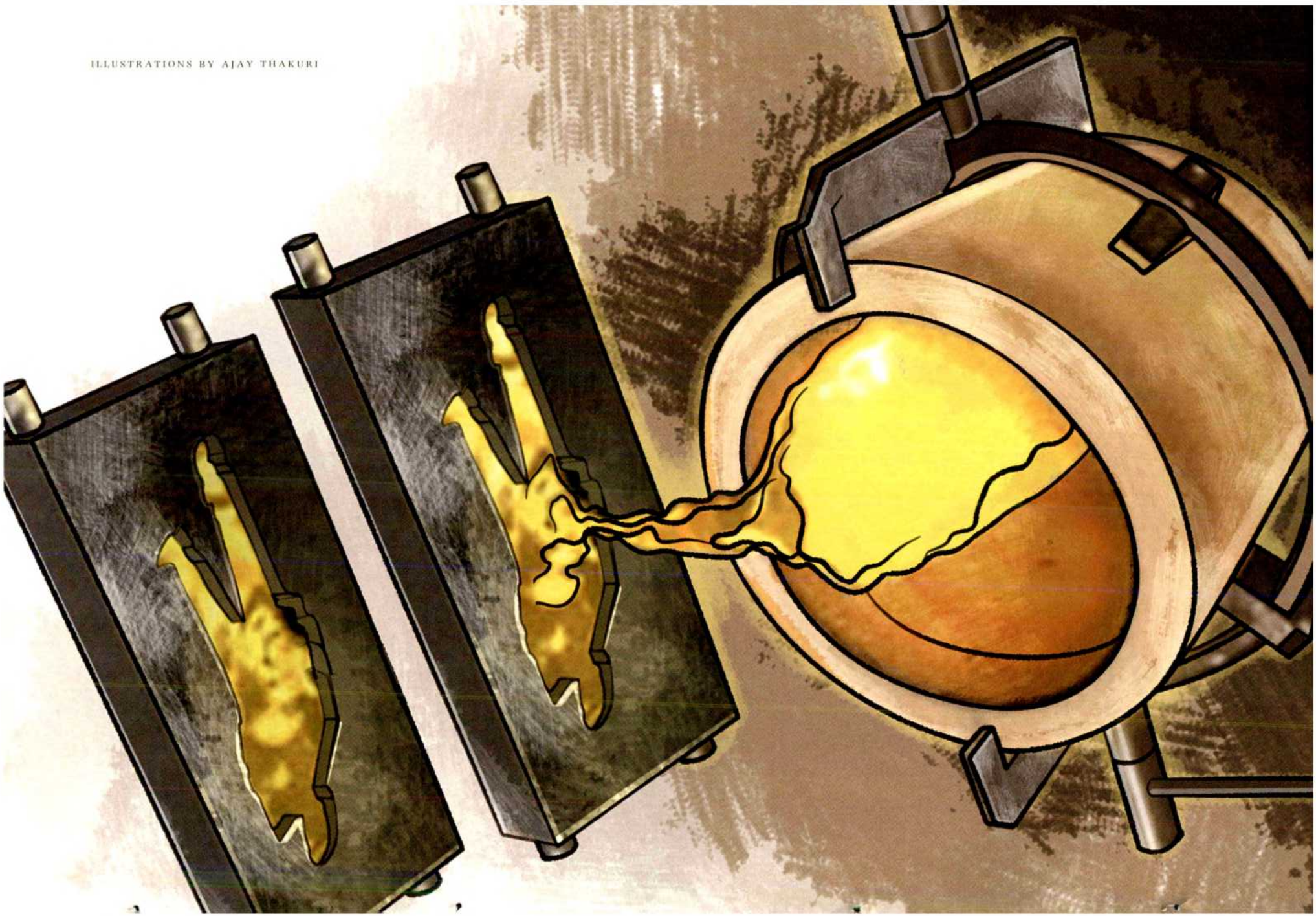

Harvard Business Review

# LUXURY'S TALENT FACTORIES

## HOW COMPANIES LIKE LVMH, KERING, AND RICHEMONT GROOM DESIGNERS AND MANAGERS.

By **ANDREW SHIPILOV** and **FRÉDÉRIC GODART**

Fifty years ago, fashion and luxury goods were all about family businesses and entrepreneurial designers. Today most of the world's leading brands and labels belong to one of a few groups, of which the biggest by revenue is LVMH, the owner of Moët & Chandon and Louis Vuitton. Two other groups – Richemont, the owner of Cartier and Chloé, and Kering (formerly PPR), which owns Gucci and Saint Laurent – give LVMH fierce competition.

To some extent the existence of these successful groups runs counter to management orthodoxy. A large body of research suggests that companies generate superior returns by focusing on a core line of business or competencies. Diversification generally does not add value unless there are significant cost savings and operational synergies across units – which isn't necessarily the case with all

luxury groups. Their portfolios include a wide variety of product categories, and their individual brands are managed autonomously. Each has its own P&L. The performance evaluations of senior managers are closely tied to their brands' profitability, which leads to a lot of internal jockeying. As an executive in one group joked, "When I was in charge of my group's distribution, my group's brand managers kept secrets from me. Sometimes I learned more about my group's brands from the customers than I learned from the brands themselves."

Yet despite all this, being owned by the likes of LVMH, Kering, or Richemont does add value to a brand. When we analysed the drivers of performance for more than 350 fashion houses from 2000 to 2010, we found that producing successful, creative fashion collections was positively correlated with being part of a business group. On average, retailers and wholesalers of high-end clothing judged collections made by group-affiliated brands to be three times as creative as collections made by independent competitors. (See *Group Affiliation Boosts Creativity.*)

Of course, a few cost benefits are generated by centralising support functions such as operations and logistics, finance, and real estate management. Another advantage is the relatively efficient internal market for capital that luxury groups, like successful private equity firms, provide by identifying promising brands and supporting them with the capital management they need to grow. But our research suggests that the real source of the groups' value is the way they exploit their diverse business portfolios to offer rich learning opportunities to both managers and creative talent. This is why their brands excel at design and business innovation.

To understand just how the groups developed this talent advantage, we conducted detailed case studies, which involved more than 50 in-depth interviews with senior executives. What we saw was that within their boundaries, the three groups have all created a vibrant circulation of talent that allows them to spread knowledge and best practices, despite the sometimes intense rivalry between their brands. In the following pages we'll look at the management practices that enable this phenomenon.

## Offering Mobility Across Categories

Talented people often leave good companies because they want fresh experiences elsewhere. But at Kering, LVMH, and Richemont, an ambitious luxury goods manager looking to diversify her résumé need never depart the group, because many of the companies that she'd want to move to are, in fact, within it. That's why about two-thirds of management openings in LVMH's brands are filled by people from inside LVMH. What's more, by remaining in the group, high-potential employees can more easily stay in touch with and benefit from the networks they have established. From their perspective, the luxury conglomerate is fertile ground in which to grow their skills.

From the group's perspective, the advantage is that the organisation captures the full value a manager can derive by developing her experience and networks in new jobs. As a senior marketing executive commented, "It is important to share talent across brands to retain talent. Sometimes a top executive sees that within an individual brand there are no opportunities to grow, and we'd rather this executive take an assignment in a different brand than lose this person to the competition."

The groups all have programmes to encourage and support internal job moves. At Richemont, senior executives assess their subordinates on four metrics: mental agility (general intelligence), results orientation (ability to achieve goals), change management (ability to steer a business in a new direction), and people management (general skill at leading others). Individuals who achieve in these areas are put into a pool that the brands' senior managers look at when making new hires. LVMH's FuturA initiative, which had 300 participants in 2013, serves a similar purpose. It identifies and develops managers whom the group would like to put into key positions within five years. The FuturAs are evaluated on

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three factors: agility at learning, engagement and commitment, and ambition.

Of course, similar programmes exist in many other industries, but a few features set the luxury groups' initiatives apart:

**Participants usually don't know they're in a programme.** As a senior executive from Richemont told us, "Letting someone know that they did not make it to the high-potential group would be demotivating and create uncomfortable discussions between subordinates and superiors [whose evaluations determine membership in these programmes] or other unpleasant dynamics. Thus, it's better not to tell at all."

**There is usually no preset career path.** A person in the high-potential programme will be offered assignments in different brands, but what specific brands these will be and how fast the rotation will happen are determined on a case-by-case basis. This reflects the uncertain nature of the luxury industry, where it's hard to predict what will or will not work.

**The programmes emphasise the history of the brands.** Any executive on a rotational assignment at Château d'Yquem quickly discovers that the property has been a vineyard since the early 18th century and that its customers included Thomas Jefferson and George Washington. It's this kind of knowledge that has inspired marketing campaigns that persuade consumers to buy the wine for tens of thousands of dollars a bottle.

Even with a promising internal career path, many talented people will still leave a group to pursue a track not available there or to work with a particular team elsewhere. But some groups don't treat this as a rejection, and many of their executives stay in touch with former employees. LVMH routinely rehires ex-employees (although this is not the case for other groups). One senior executive we spoke with left to work for a high-tech cosmetics start-up and then came back to Guerlain with ideas about how to integrate beauty products with digital technologies. Another went to Google and returned with expertise in designing high-tech wearable items. A senior executive commented, "It's good for our people to leave, learn from the competition, and come back."

Career mobility has helped groups identify and transfer best practices across products. Consider watches, which luxury brands have traditionally marketed on the basis of technical and aesthetic excellence. To boost sales growth, the groups' watchmaking companies started hiring marketing managers from their groups' cosmetics and fashion companies. People from those businesses have proved adept at developing stories that explain why a company created a particular model of watch and what the aspirations of its creators were. The ability to draw on deep brand-building and advertising expertise from other companies within their groups gives affiliated watch brands an advantage over independent watch companies, which have to hire it externally, often at a hefty price.

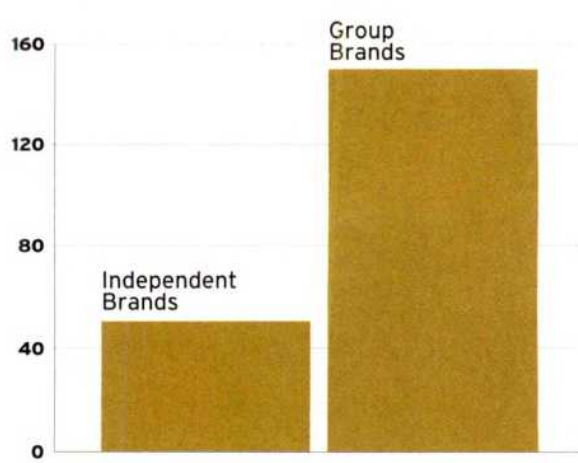
Experts from outside the watch business offer new hard skills as well. One executive reflected, "I'm responsible for a luxury watch brand in Asia. My team never had a CRM function, so I recruited an executive who had experience in CRM in fashion and cosmetics firms in our group. She brought the tools and the processes, as well as the knowledge about performance benchmarks. She helped our people change their mindset from being focused on the product to being more customer-oriented." The new CRM systems improved the brand's customer understanding and reduced its risks of stock build-up, since they provided quick feedback on market reactions to products. And the relationship-based approach the former fashion executive introduced has played an important part in making this brand one of the most-sought-after luxury lines in China.

## Leveraging International Experience

It's well known that spending time overseas is critical to executive development and performance. One of the advantages of luxury groups is that with their worldwide operations, they can easily find managers who've had jobs outside their home countries or can easily put people into such positions. This has contributed to the success of the groups' flagship brands in two ways:

### Group Affiliation Boosts Creativity

Every season the leading trade magazine *Journal du Textile* asks retailers and wholesalers to score the creativity of fashion houses' collections. Over a 10-year period, the average points per season awarded to the houses of luxury groups were three times the average points awarded to unaffiliated houses.




Source: *Journal du Textile* Rankings, Spring 2000 to Fall 2010; Authors' Analysis

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- Long term capital growth
- Investment predominantly in equity and equity-related securities

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**A source of inspiration.** In our statistical analyses of fashion performance, we found that fashion designers were more likely to produce creative collections if they had worked abroad. (See *Foreign Experience Gives Designers an Edge*.) Working in two to three foreign countries was particularly beneficial. At LVMH, the leading designers all bring cross-cultural perspectives to their work. Phoebe Philo, a Paris-born British fashion designer educated at Central Saint Martins, in London, runs Céline – a quintessentially French brand – from London. Marc Jacobs, who during his tenure at Paris-based Louis Vuitton expanded its product mix from travel accessories to clothing, was born and trained in the United States. Karl Lagerfeld, a creative director at Fendi and at Chanel (which does not belong to LVMH), often works in both France and Italy during the same day and has called himself "a one-man multinational fashion phenomenon." These three stars have developed ties with other designers, manufacturers, and suppliers beyond their local networks, who give them fresh ideas. The diverse cultural influences incorporated into their collections have invigorated their traditional luxury brands.

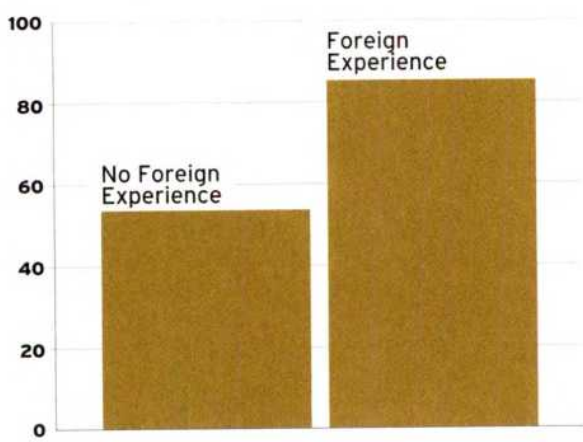
Kering feels so strongly about the importance of cross-cultural exposure that it organises "inspiration tours," which take European and American designers to Japan, China, Africa, West Asia, and other foreign locations. These tours give designers the opportunity to see unfamiliar patterns, new fabrics, and new concepts that they can integrate into their work at home.

**A better understanding of customers.** As a senior executive of Tomas Maier (a maker of luxury swimwear and knitwear partly owned by Kering) told us, "If you have a designer who has never been to China, that's a problem." Many of the executives we interviewed emphasised that their professional foreign experience helped them serve as "bridges" between Switzerland, France, or Italy, where many luxury goods are produced, and the United States, Asia, and West Asia, which are now their largest markets. Although Europeans can explain to customers what luxury means, they also must have experience in foreign markets to understand which aspects of luxury the customers there actually care about. For example, in America consumers will buy watches for their functionality or performance, whereas in Asia it's more about the prestige of the brand.

You can have too much of a good thing, however. The downside to working in China or Brazil is that you fall behind on what's happening in Paris or Milan or Geneva, where the design actually takes place. Christophe Maincourt, a former president of Richemont Latin America and Caribbean, describes the ideal career trajectory this way: "People should travel widely in their twenties and thirties. But when you're hitting your forties, it's time to go back home." His point is that it's important for aspiring executives to spend time in their forties developing their understanding of a group's strategic priorities, its relationships with its brands, how internal departments interact, and how to get things done within the organisation. Managers who always travel and work abroad can have great careers in support functions (say, purchasing or distribution), but if they want group-level responsibility, they'll eventually need to settle in the group's home country.

## Foreign Experience Gives Designers an Edge

Over a 10-year period, industry buyers surveyed by *Journal du Textile* gave far more creativity points per season, on average, to fashion designers who had lived and worked abroad than to those who hadn't.

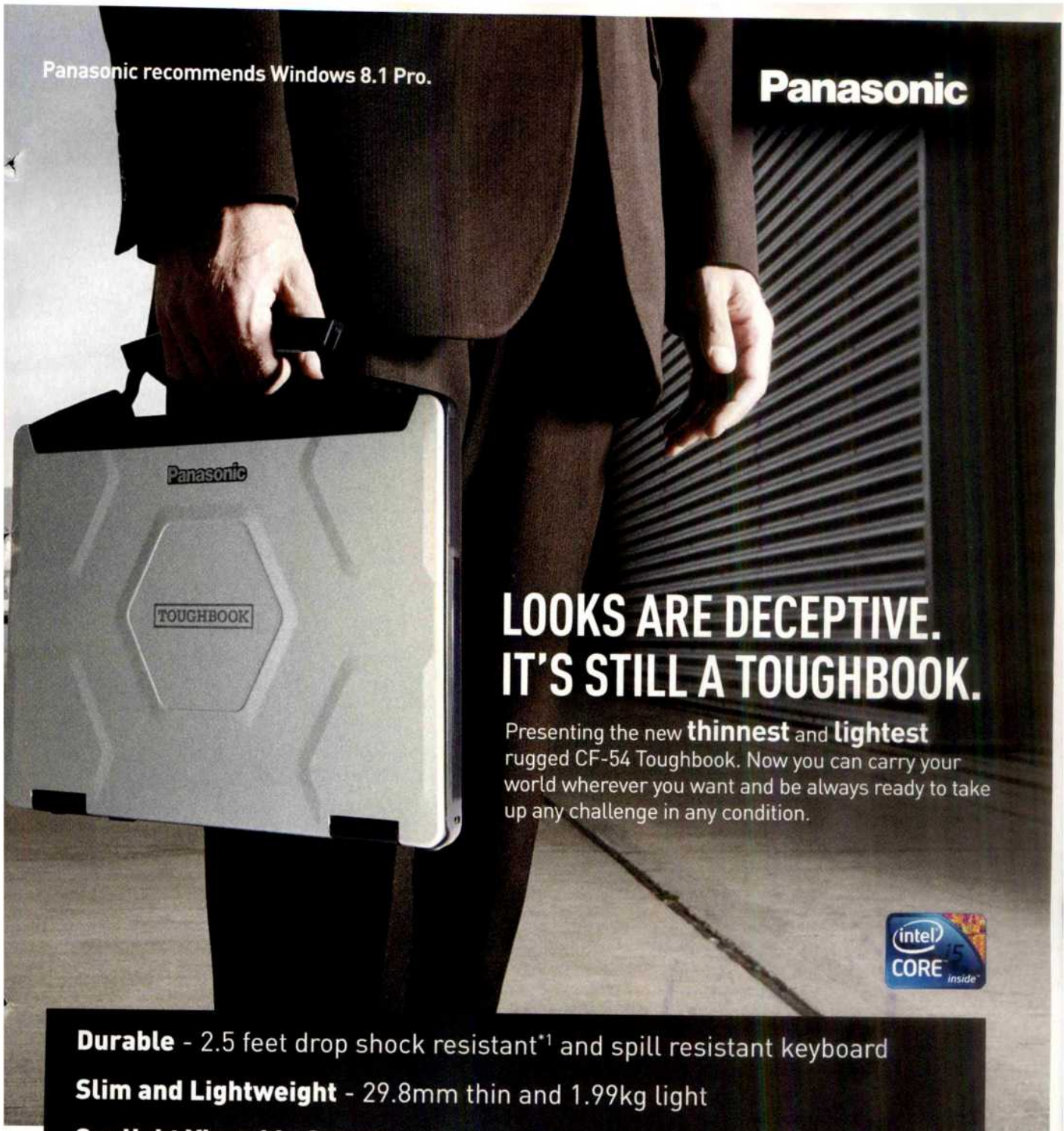



Source: *Journal du Textile* Rankings, Spring 2000 to Fall 2010; Authors' Analysis (with William Maddux and Adam Galinsky)

## Strategically Managing External Talent

Because of their brands' prestige and their ability to offer rich career paths, luxury groups are very attractive as employers. People working in winemaking, fashion, jewellery, and other high-end businesses all want to have a name like Moët & Chandon, Gucci, or Cartier on their résumés. The groups don't have to try too hard to find new people.

But they also realise that maintaining their brands' premium reputation ultimately depends on introducing new ideas and innovations, which may have to come

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from outside the group. For this reason, they take recruiting very seriously, investing their time and money in two ways:

**Priming young talent.** Luxury groups actively support educational programmes that develop managerial skills specific to the industry. Richemont, for example, sponsors a luxury goods marketing programme at the Institut Supérieur de Marketing du Luxe, in Paris. Other groups are involved in similar initiatives: LVMH and Kering have joined Richemont in supporting an MBA in international luxury brand management at ESSEC, one of France's famous grandes écoles. With a broad base in many categories of goods, the groups are positioned to partner with researchers and teachers to provide students high-quality educational content and practical experience. The students get more out of the programmes, and the companies get exposure to promising young managers. These programmes have increasingly become launchpads for the careers of group executives.

In addition, all three groups focus on training young designers and artisans. LVMH runs a programme in cooperation with some of France's craft schools. Students from the Écoles de la Bijouterie-Joaillerie in Paris (which specialise in jewellery making), for example, can get apprenticeships with the master craftspeople at Chaumet or Louis Vuitton; and students from the École de la Chambre Syndicale de la Couture Parisienne (ECSCP), with dressmakers at Dior, Givenchy, or Kenzo. The other two groups also support ECSCP, which has trained many top designers, including Karl Lagerfeld (LVMH), Tom Van Lingen (Richemont), and Tomas Maier (Kering). These initiatives serve a dual purpose. On a fundamental level, they allow craftspeople to pass along their rare savoir faire, keeping the knowledge alive. And like the managerial programmes, they offer the groups an opportunity to identify talent in the next generation.

**Recruiting from other sectors.** The leaders of groups are well aware that people in other industries often have a better handle on best practices than anyone in the luxury and fashion business does. That is why the late Yves Carcelle, a former CEO of Louis Vuitton, hired a number of managers from Toyota. They helped the brand improve its supply chain management, especially the integration of its IT systems with suppliers. Just like Toyota, Louis Vuitton now shares real-time information about customer demand with its suppliers, so they can plan their manufacturing schedules accordingly. This allows the group to extract more competitive advantage from supplier relationships.

People brought in from outside the field have also redefined customer service in luxury. Many lux brands grew up catering to elegant, aloof aristocrats bourgeois but now face a world in which their best tomers are likely to be hip-hop artists or high-tech trepreneurs. As a consequence there has someti been a mismatch between the way the staff in shops Cartier and Gucci present themselves and people who walk through the door. Richemont ha sponded by hiring managers from the hospitality in try, which has had to adapt more quickly to this cha One, recruited from a famous hotel chain in A known for excellent customer care, has helped a pr inent Richemont brand train store staffers to play role of hosts and treat customers as guests. She

## *A former Louis Vuitto CEO once hired manage from Toyota to improv supply chain managemer*

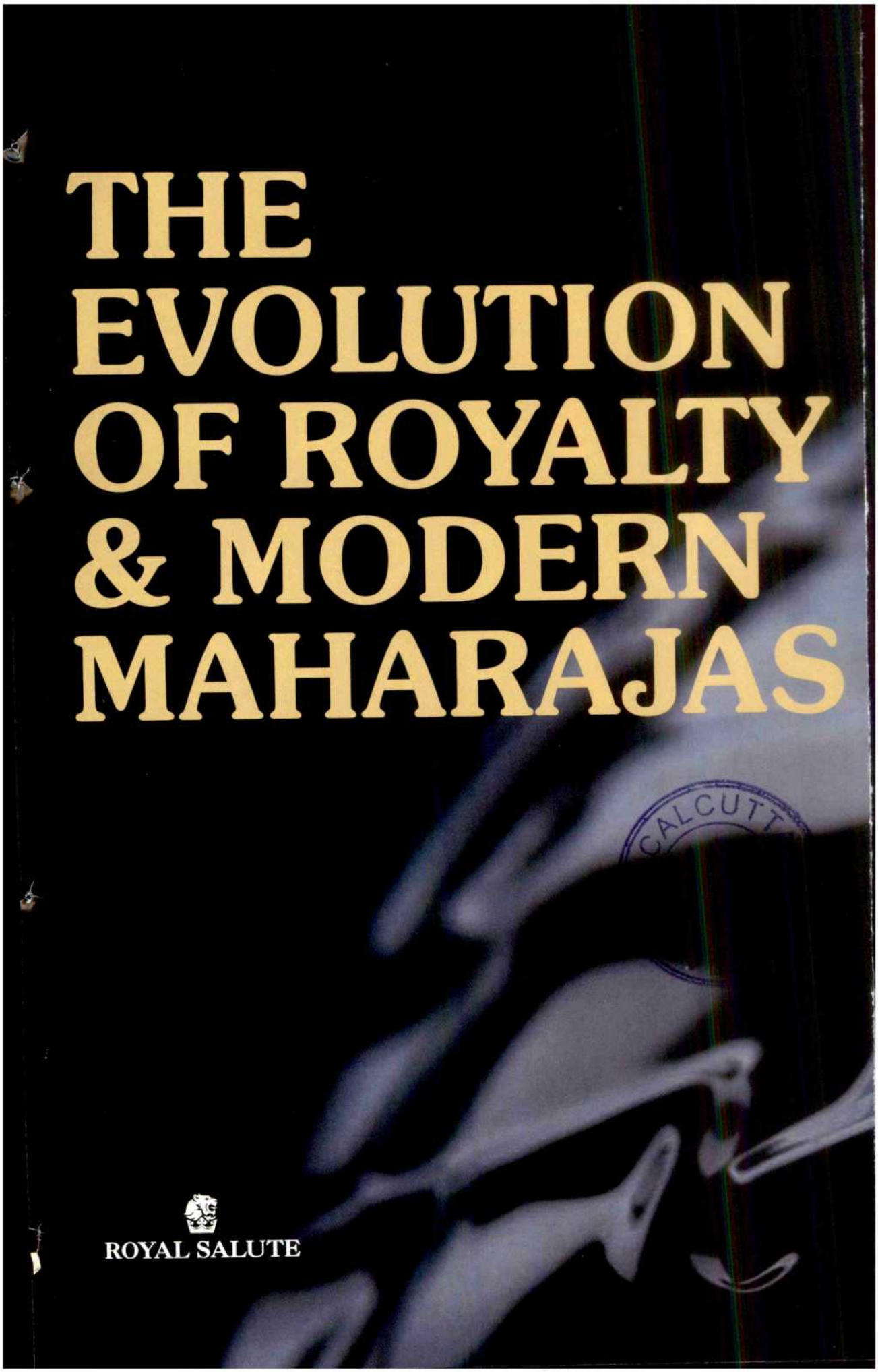
also developed performance metrics for re employees based on customer service measures from hotel industry.

Being a large diversified organisation is an advant for groups recruiting outside the industry. Toyota sup chain managers aren't likely to be interested in join a small independent luxury brand, because it could offer an attractive next step. But because they can o more opportunities and real career progression, com nies like LVMH, Richemont, and Kering are well pla to import talent from other fields.

**THE PRACTICES** we've described have helped make three luxury groups exceptional engines of talent at levels and functions, providing win-win outcomes employees and employers. This is what really expla the ability of the groups' historic brands to adapt and renew themselves. If collections from the brands of LVM Kering, and Richemont are considered to have hi creativity, ultimately it's because they've developec talent premium through their investment in and ma agement of human capital. ◆

**Andrew Shipilov** *and* **Frédéric Godart** *are professo at INSEAD, a business school with campuses in Fran Singapore, and Abu Dhabi.* *This article was publish in* Harvard Business Review, *June 2015.* *Copyrig ©2015 Harvard Business School Publishing Corporati All rights reserved.*

# THE EVOLUTION OF ROYALTY & MODERN MAHARAJAS




ROYAL SALUTE

# er We Begin

These craftsmen painstakingly sat to create a bespoke casing for an exquisite blend from the house of Chivas Brothers. This was a day when the young Queen, Elizabeth II, would be coronated at Westminster Abbey, London, watched by the world first time on television.
Here was a blend to commemorate this dynastic accession and there was no detail falling short of the grandeur towards this occasion.
The artisans used three colours of glaze to adorn the flagons - Ruby, Sapphire & Emerald, befitting the gems in her crown.

## Today's Monarch - The Modern Maharaja

Real kingdoms exist by virtue of the followers. Its a rule that may not be granted as by birth, however it should have the essentials of creating a big change.
62 Years hence, the legacy lives on in more ways than one. Through time, tradition and craft, just how Royal Salute blended scotch whisky came into being, a new breed of royals evolved. Not determined by the colour of their blood, however of what they make of it. Unshakable zeal for excellence, transversing the boundaries towards perfection, ambitious and confident leaders of today. The Modern Maharajas' of this era.
What sets them apart is an ability to inspire beyond the ordinary.
The 'Maharaja' in them allows them to imbibe and exude certain acquired values of responsibility, an aspiration towards a larger objective, a sense of greater good and generosity.

## ɛnd Is Born

he birth of the Royal Salute 21 Year Old scotch whisky.
hat comprised of whiskies that have matured for a
period of 21 years, a period of time where many
ns from certain brands end !
ıished brand, where the "21" also connoted the 21 gun
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th, this brand became synonymous with the royalty &
rs. One dram of Royal Salute 21 Year Old and you
ow its a Maharaja's portion.
ılulgent, deep fruity flavours, rich medley of spiciness,
om the hint of masculine smokiness. A near decedent
e when u feel the notes of sumptuous sweet orange
de infused with fresh pears bursting on your palate. This
ılways meant to be for the Kings!

# Togethe

"World famous artisans sat down to hand craft a porcelain flagon, sculpt it in cornish clay, unpretentiously dry it in the air we breathe, meticulously glazed twice over.
It was a day to be marked in all royal calendars for centuries ahead. 2nd June 1953, a new monarch was being honoured."

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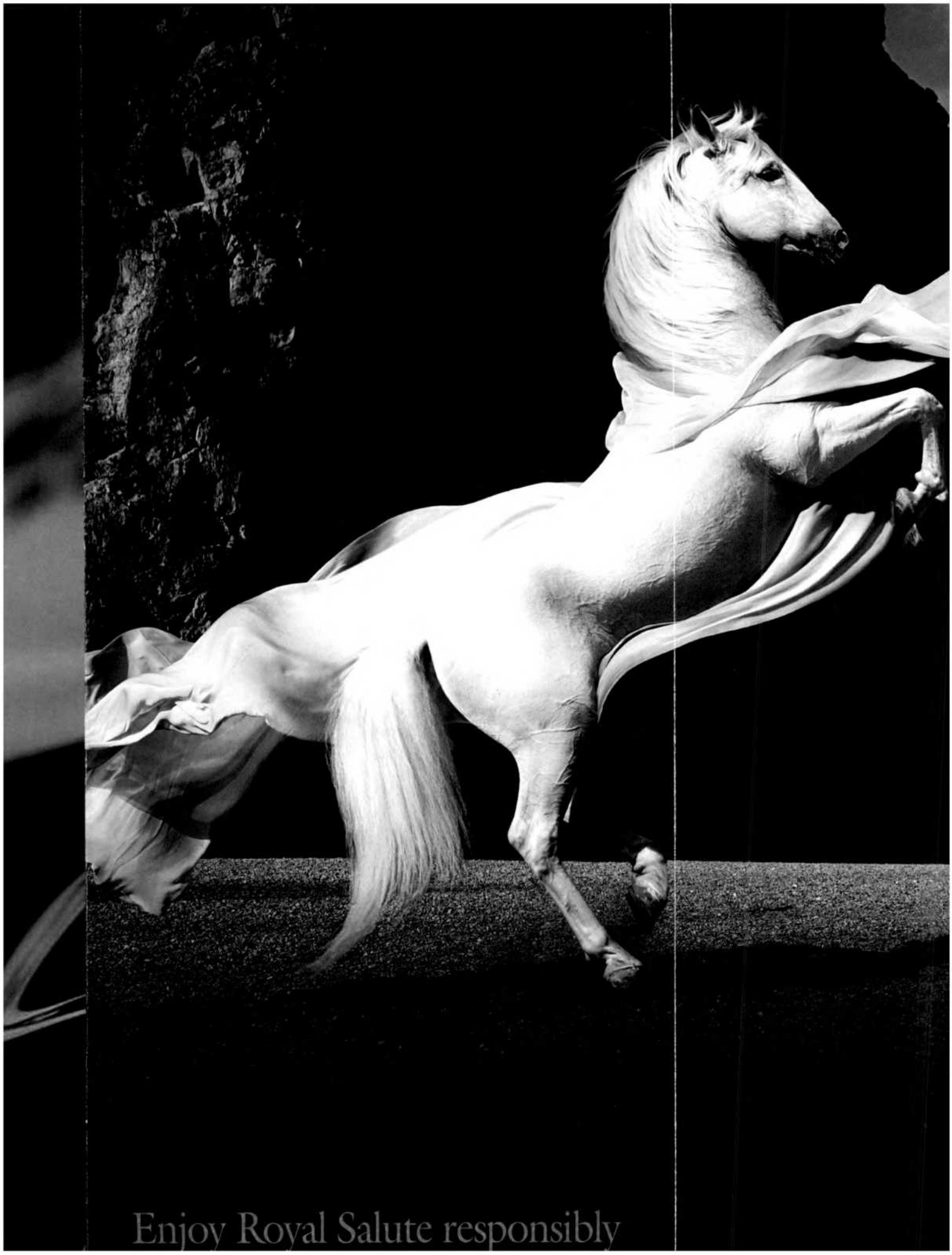
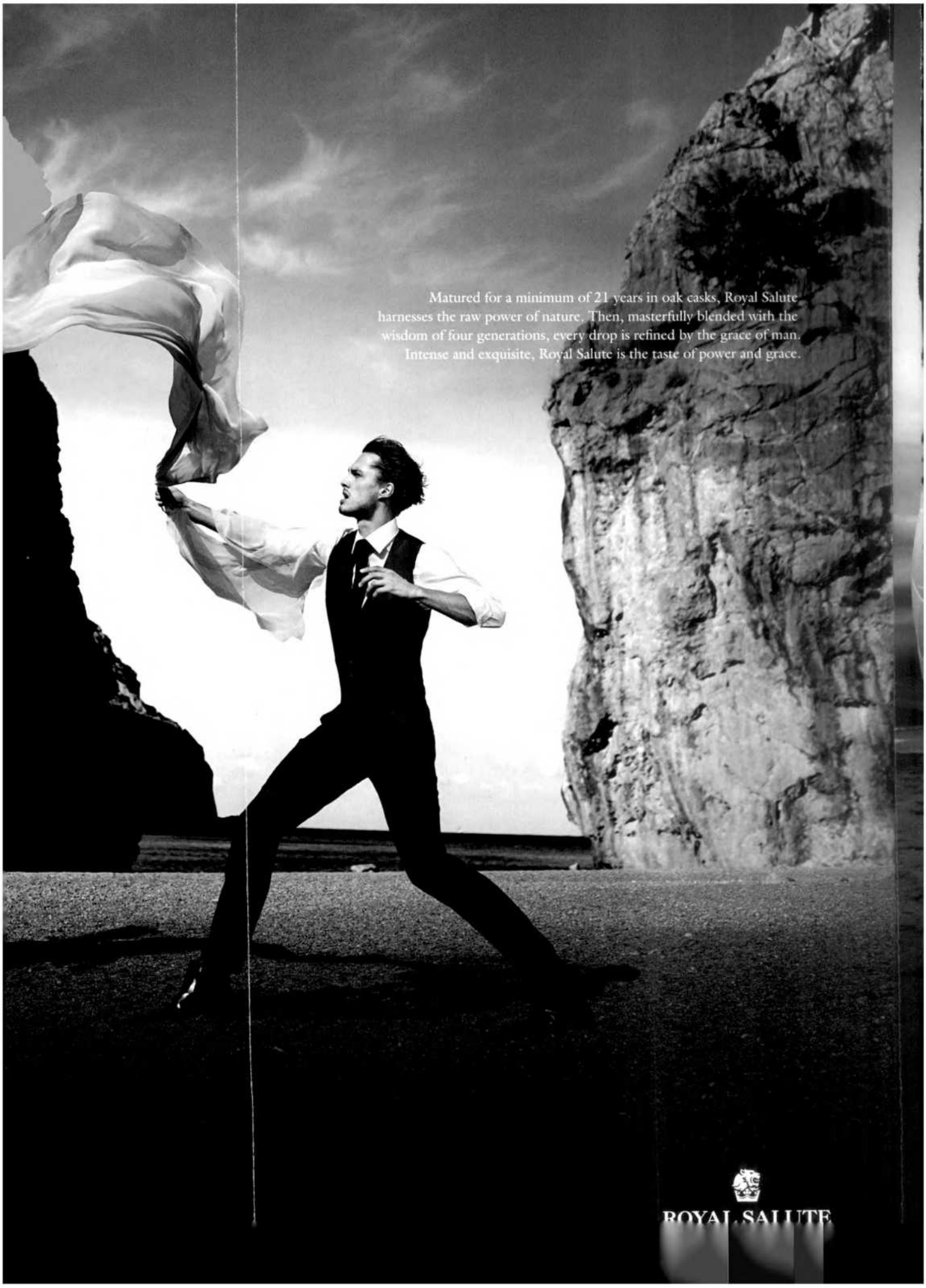

Enjoy Royal Salute responsibly


Matured for a minimum of 21 years in oak casks, Royal Salute
harnesses the raw power of nature. Then, masterfully blended with the
wisdom of four generations, every drop is refined by the grace of man.
Intense and exquisite, Royal Salute is the taste of power and grace.
ROYAL SALUTE

# 's End

## The Ultimate Power of the Two

In a uniquely curated world such as ours, there are few of those Modern Aristocrats, men of action, power & generosity. Firmly planted in tradition yet playing in the modern world, one amongst the crowd. For them, all this power & grace enablesthem in appreciating superiority, perfection, quality & craftsmanship of the finer things in life.

A precious selection of whiskies for the definitive nature of the brand, years of interaction, evolution in the oak and the touch of hand through the expertise by the Master blender, Colin Scott, makes Royal Salute a radiant equal to a tribe of such excellence seekers and achievers.

A gifted pleasure in celebration of the Maharaja himself, for his success, his power and his moments. This is a dram meant for his myriad pleasures and commemorations.

## Royal Salute and Beyond

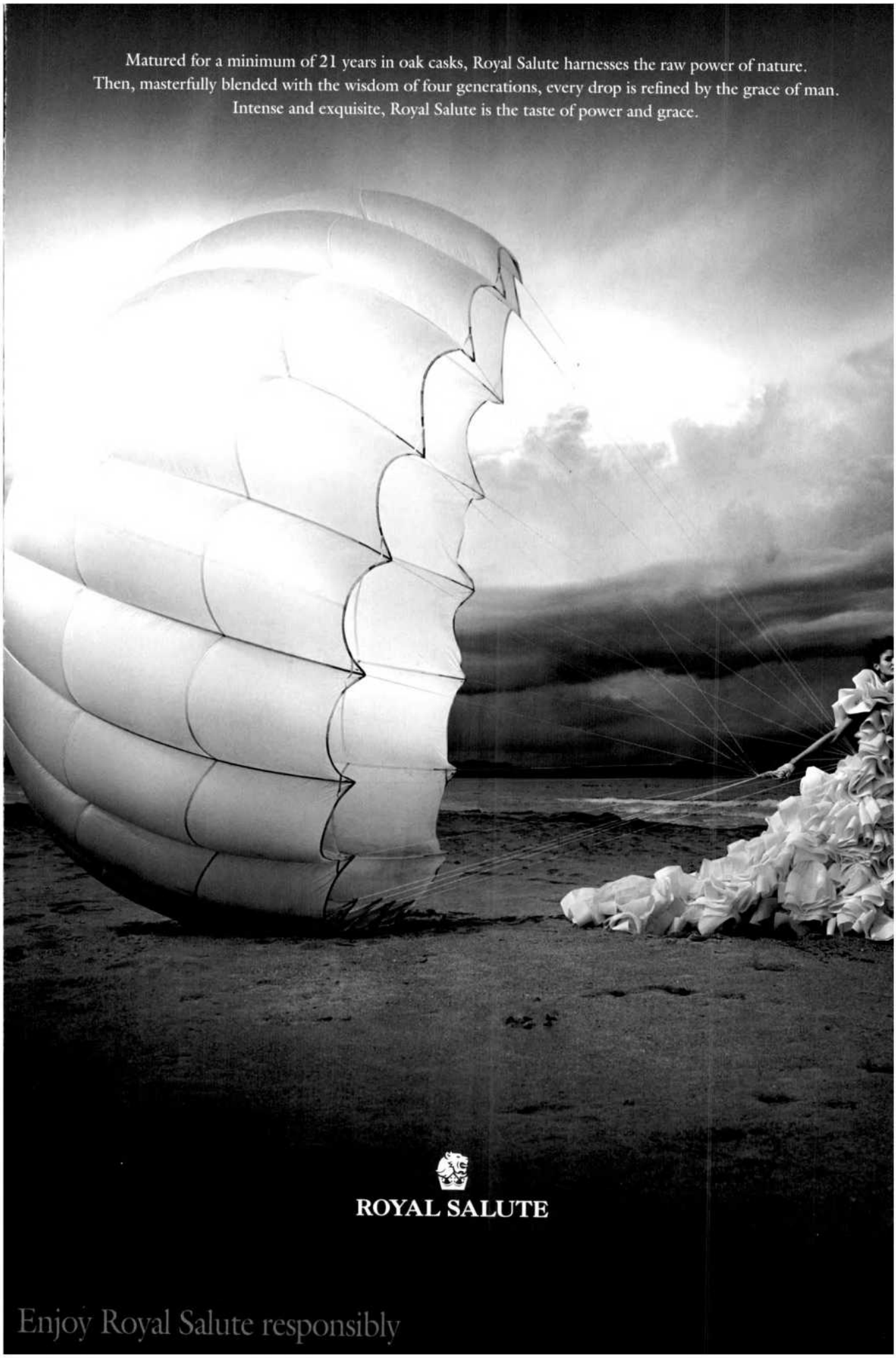
There is a deep opulence in the range and it has to be, since the youngest variant itself is extremely exclusive. We have the following other expressions from the house of Royal Salute for the King in you:-

1. Royal Salute The Diamond Tribute - Inspired by the perfection of a diamond, this whisky has been created from some of the rarest collection of whiskies at the Royal Salute Vault.
2. Royal Salute 38 Year Old Stone of Destiny - Crafted with whiskies aged for a minimum of 38 years, the name is inspired by the legendary Coronation stone of the ancient Scottish kings
3. Royal Salute 62 Gun Salute - Inspired by the ultimate honour of the 62 gun salute fired from the tower of London, for royal anniversaries, it bears a grandiose decanter.
4. Royal Salute Tribute to Honour - Inspired by 'The Honours of Scotland' the most storied crown jewels in the British Isles, this one is the most ornamented of the series

# Where Other

## For The Modern King In You

Look inside, identify your attributes & purpose, do you feel one amongst this tribe ! It is you who can weave together a synthesis of the traditional past with a compelling new. Celebrate your big & small, for you are the aristocrat, the King, the Modern Maharaja upon whom the world looks for a soul and passion connect. If you are the catalyst, Royal Salute is the bridge. Let's usher in this new era of a modern "you" with a toast towards a powerful vision, a respect for our royal heritage and a purpose towards a sustainable new high!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Then, masterfully blended with the wisdom of four generations, every drop is refined by the grace of man.
Intense and exquisite, Royal Salute is the taste of power and grace.
ROYAL SALUTE
Enjoy Royal Salute responsibly

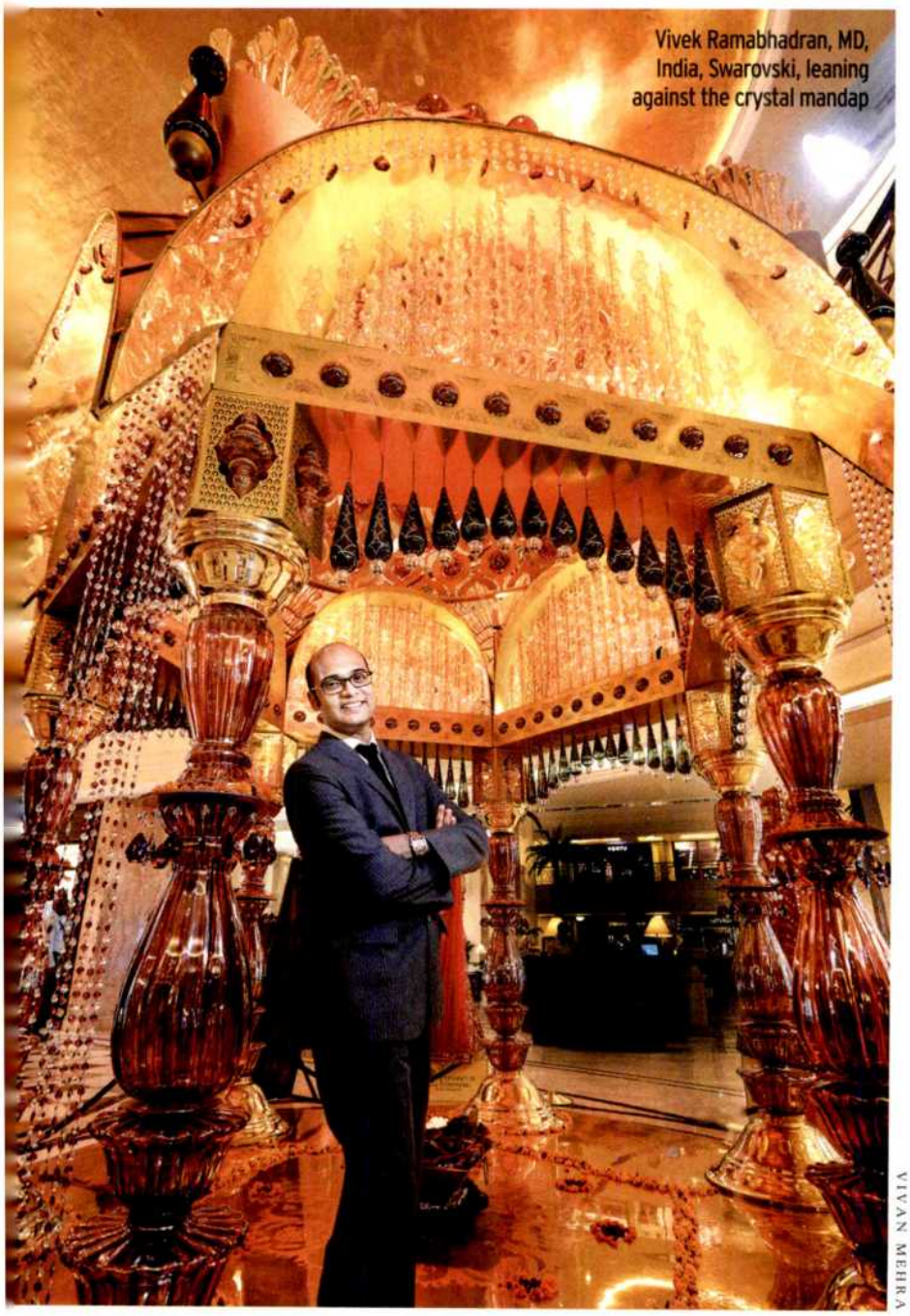
Umaid Bhawan Palace and Resorts: All geared to receive a wedding party

# BOARDING THE WEDDING EXPRESS

LUXE BRANDS ARE GATECRASHING THE BIG FAT INDIAN WEDDING PARTY AS IT'S THE ONLY PLACE WHERE SPENDS ARE EXORBITANT. **By CHITRA NARAYANAN**

A dazzling sight greets you as you enter the DLF Emporio during the Treasury of Trousseau festival week – a shimmering, glittering 18-feet coloured glass and wedding *mandap*, studded with over 44,000 Swarovski crystals. You could call it a designer venue as this spectacular creation that lights up a wedding has been put together by artists Gautam Seth and Prateek Jain of Klove Studio.

So why has Swarovski spent nearly ₹1 crore to create this extravagant,


Vivek Ramabhadran, MD, India, Swarovski, leaning against the crystal mandap

VIVAN MEHRA

overindulgent venue? It's because the Austrian crystal brand is now seriously chasing the big fat Indian wedding market, offering a bespoke Swarovski experience. "We developed the crystal *mandap* to show what can be done to create an entire Swarovski-wedding experience for the bride and groom," says Vivek Ramabhadran, Managing Director, India, Swarovski. From tiny trunks studded with crystals, in which invitation cards are placed to be sent out to guests, to silver napkins for the dinner table, Swarovski has teamed up with designers to put bling into every little item that goes into a wedding.

More of this bling could be seen at the BMW India Bridal Fashion week where designers like Tarun Tahiliani and J.J. Vallaya were showcasing their wedding couture lines. Interestingly, the international brands are also jumping on the megabucks Indian wedding business, and trying to be part of the trousseau or the setting. For BMW, a fashion collaboration – especially wedding fashion – is an interesting pairing, because, at high-end events, everything from the car you arrive in to the bag you are sporting, is a statement. And through the event BMW has found a lever to get into this lucrative market. As Swarovski's Ramabhadran says: "Luxury marketing in India today is entirely driven by occasions – especially weddings. And that's why MNC brands want to be part of the action."

Move across the city into the Taj Palace where the Vogue Wedding show was on and, here too, a host of

**Vows with Crystal:** Swarovski enters the wedding space with an 18-feet high glass and crystal mandap created by Klove Studio to show it can add a spectacular touch to marriages, too. The cost: just under ₹1 crore

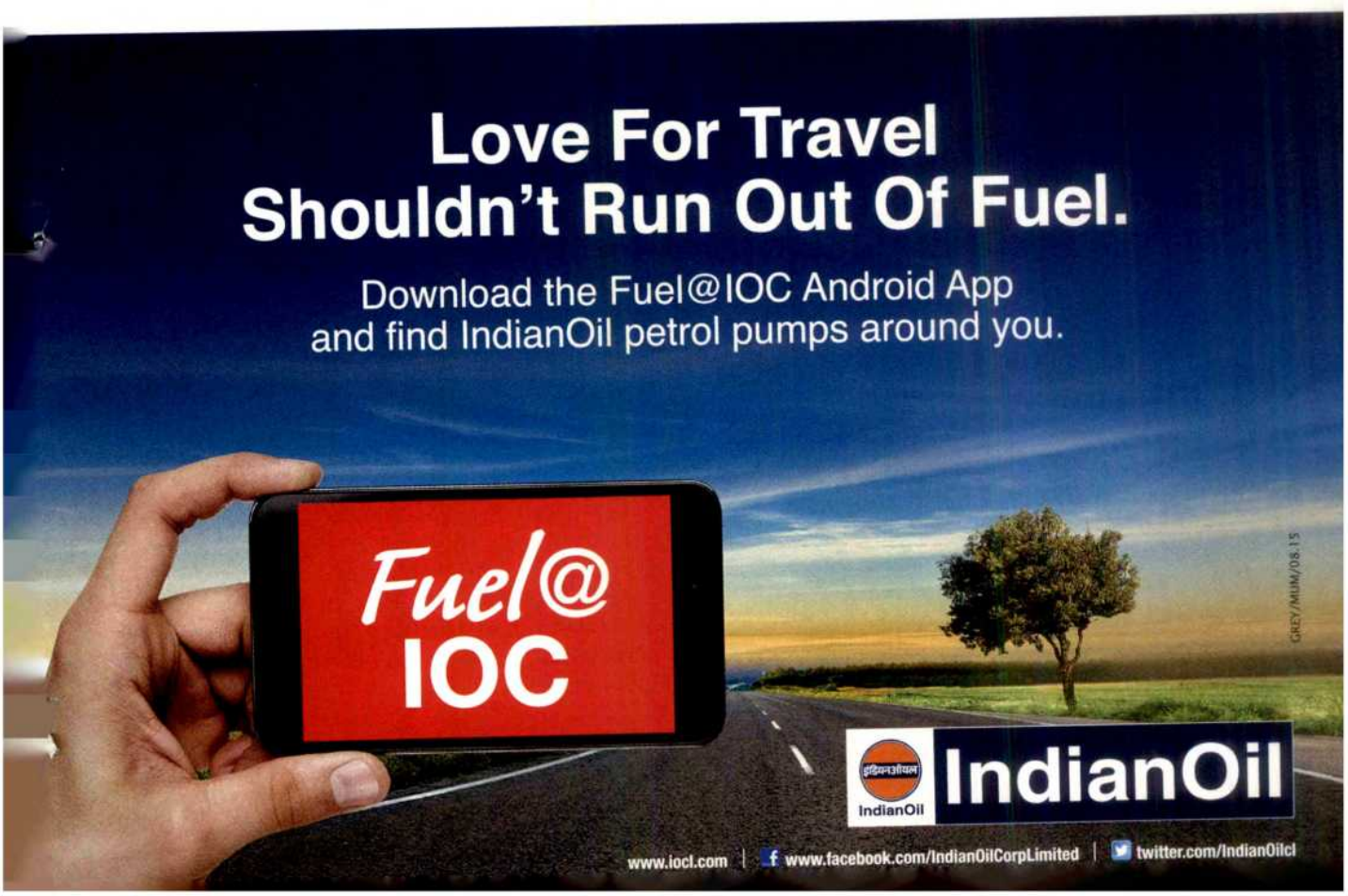
international brands were pitching furiously for business. For instance, Christian Louboutin has tied up with designer Sabyasachi to create bespoke footwear for weddings. "International brands have successfully permeated the wedding market," says Gaurav Bhatia, Marketing Director, Moët Hennessy. "You see Louis Vuitton luggage as part of a bride's trousseau, her wardrobe having a mix of Indian and international designer wear – a mix of Anamika Khanna and Dior Haute Couture," he says. Of course, Moët Hennessy is pitching hard with its champagnes. But it's got competition from other liquor makers.

For instance, the first sight that greets you at the entrance of the Vogue wedding show is a giant Johnny Walker Blue Label bottle. The high-end liquor brand is also edging into the market to set up luxury bars at opulent weddings.

The spirits will flow, of course, but what was a tea sommelier doing here at this wedding festival extravangza? Amid all the ubiquitous jewellery brand and fashion designers pavilions, tea sommelier Rupali Ambegaonkar's exotic whole leaf tea brand *Tea Culture of the World* looks incongruous. But then, she brews bespoke tea experiences based on your tastes – something that will stand out during weddings. She says her exotic teas packaged in a flamboyant fuschia box or a mint green box, and arranged in golden tins are also a much-in-demand gift item at weddings. At

"Weddings are becoming more exclusive, and highly experiential events"

**CHINMAI SHARMA,**
Chief Revenue Officer,
Taj Group of Hotels

Interview with Vivek Ramabhadran at businesstoday.in/swarovski-ramabhadran

₹3,000 for a small box, it's a wonderful return gift or an invitation gift.

Though as far as gifts at luxe weddings go, that's small change. Wedding invites are getting seriously innovative – classy affairs in scented gilt edged parchment that are rolled up and placed in intricate boxes accompanied by choicest of sweets and gifts that can run into tens of thousands of rupees. For instance, a Delhi businessman sent out monogrammed wallets for men and scarves for women, along with the wedding invites, which cost between ₹35,000 and ₹80,000, according to Kotak Wealth Management's report Top of the Pyramid.

You will be surprised at how much thought and effort goes into invites. Designers Yogesh and Suraksha Gajwani, who have won several awards for their innovative wedding invitations and worked for clients like G.D. Goenka and Analjit Singh, spend months researching themes and concepts. "We try to personalise each invite so that it can be a keepsake memento," says Yogesh Gajwani.

But before the invite, it's all about choosing the destination and venue. Exotic destination weddings – set in Venice and Puglia in Italy to Chantilly in France, and island locales across Asia – are a growing trend for the A-listers, but Indian chains are trying hard to retain these events on home soil, piling on the offers and deals.

Taj Group's Chief Revenue Officer, Chinmai Sharma, makes no bones about the fact that the group is pitching hard to host luxe weddings at its palace properties, especially the Umaid Bhawan – a hot favourite already with big industrialists. The Taj puts in a lot of time studying trends and has something called a wedding barometer. "Weddings are becoming more and more exclusive, the size of the wedding groups are reducing and it's becoming highly experiential events," says Sharma.

SUMIT SHARMA

"Our exotic teas are a much-in-demand gift item at weddings"

**RUPALI AMBEGAONKAR,**
Owner, Tea Culture of the World

There's a reason, of course, why literally every luxe player is seen at wedding extravangazas such as these. In an otherwise sluggish market, weddings are one of the few growth drivers. Taj's Sharma says that, according to their calculations, the trackable annual spend at luxe weddings is somewhere around ₹1,000 crore. Vivek Ramabhadran says according to Swarovski's guesstimates there are at least 500 weddings in India where spends are over ₹10 crore.

But read the Kotak report and it pegs the figures much higher – spends hover around the ₹20 crore to ₹40 crore mark at weddings hosted in India, and are far higher at exotic destination weddings.

When you take a look at what all goes into our weddings, it's just extravagance – be it the way the bride and groom make their entries (BMW may be pinning its hopes on this part, but brides and grooms are now arriving in helicopters, speedboats and even popping out of giant lotuses) to choreographed sangeet (a Moulin Rouge themed sangeet for instance) to creating selfie corners at the event.

And of course, in this day and age, the digital world is not far behind with app makers also trying to crash into the party. So we have wedding apps created specially for an event, which only invited guests can download. Here, one can share pictures, or view who else is invited, what gifts can be given, the menu, and so on.

As they say, weddings are the only recession-proof market in India, so you can't blame the marketers for such furious match-making. ◆

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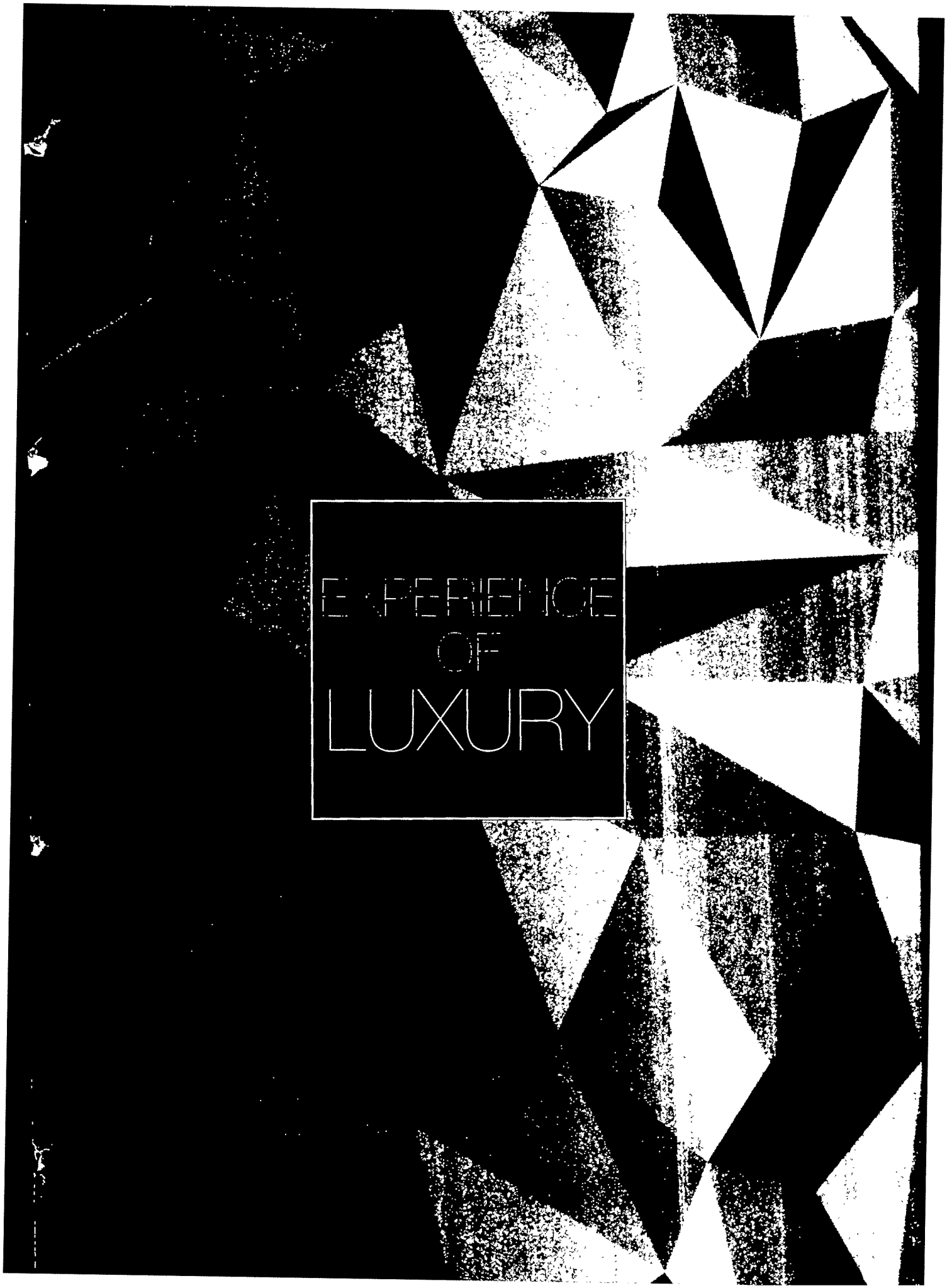
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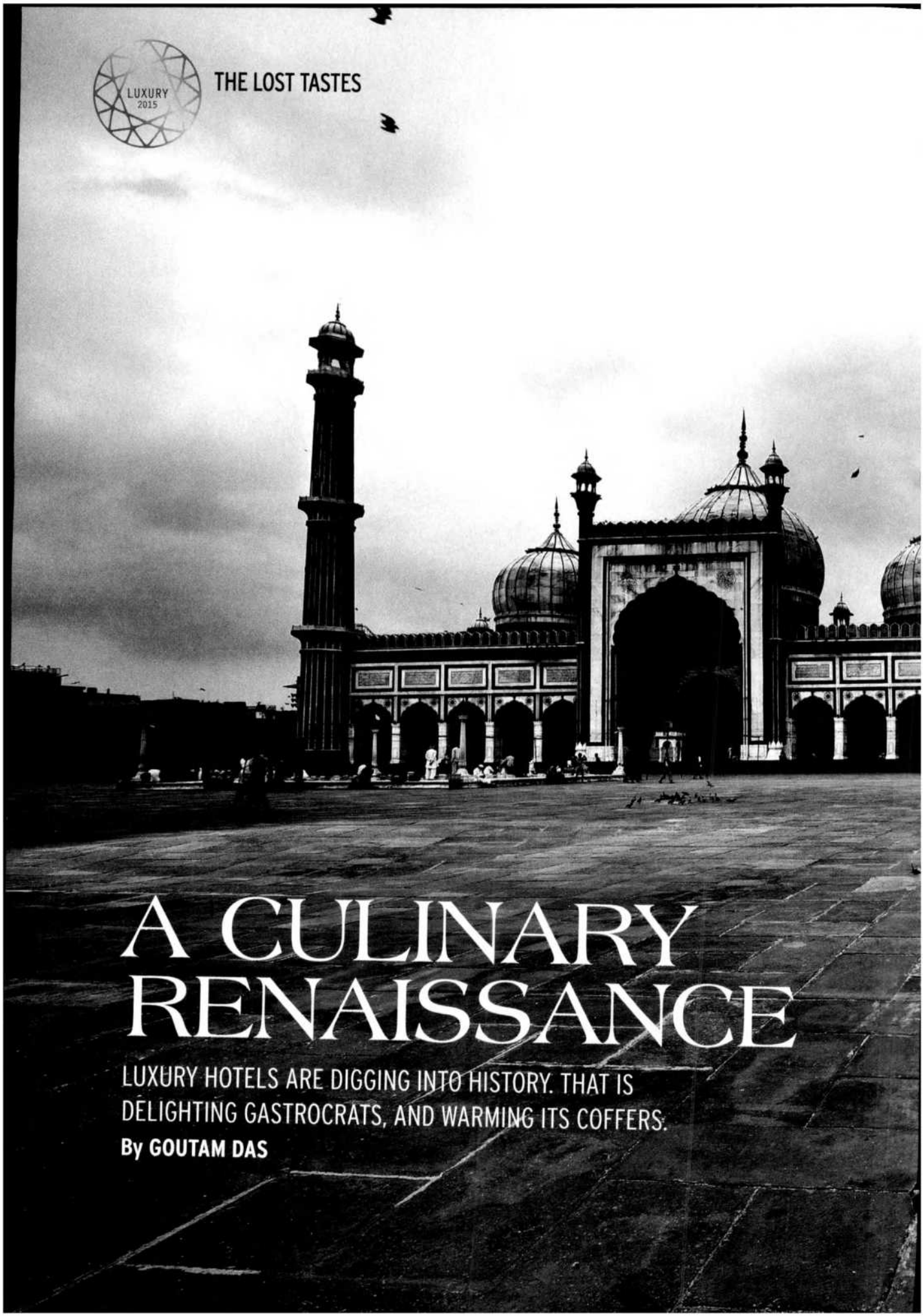


# A CULINARY RENAISSANCE

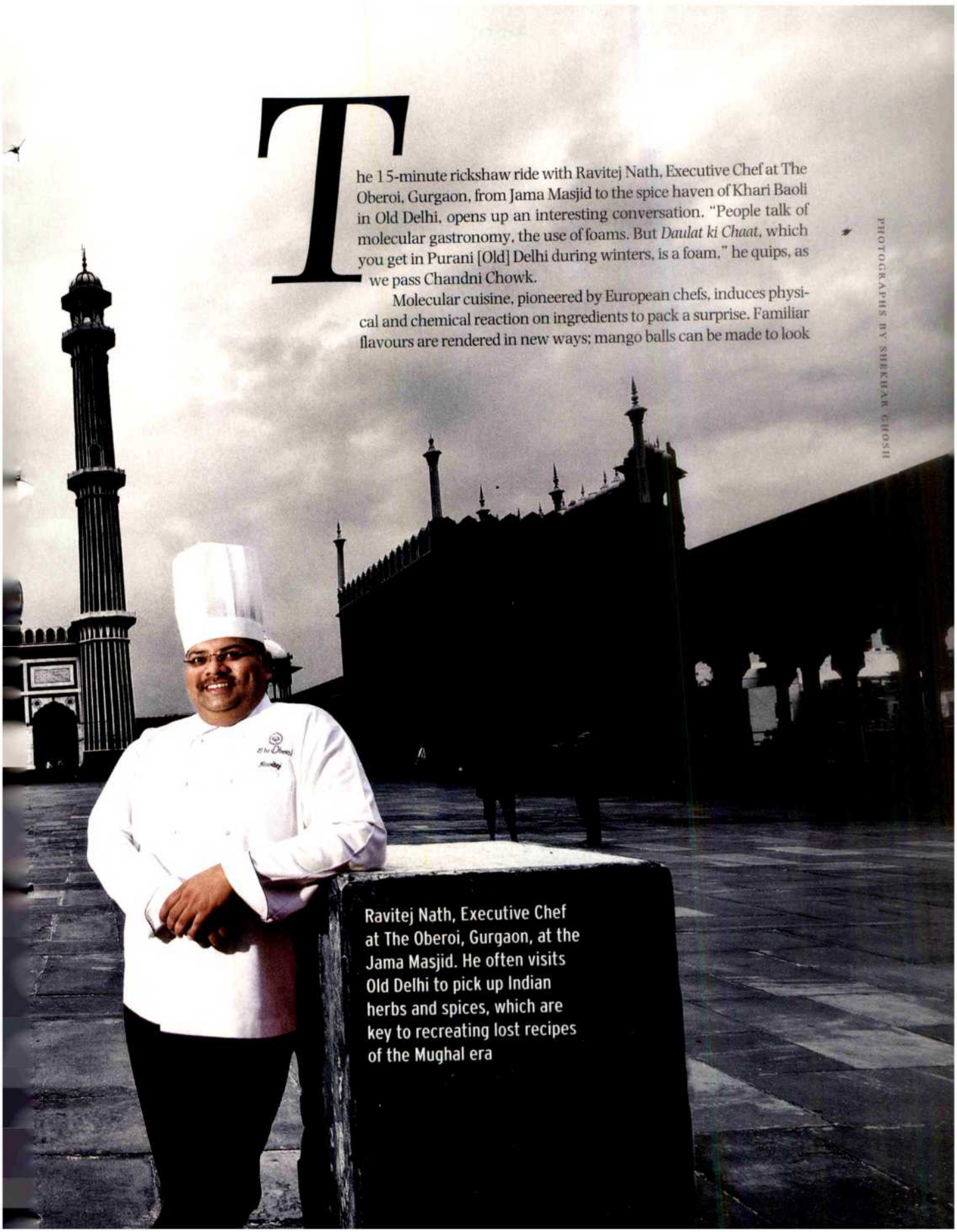
LUXURY HOTELS ARE DIGGING INTO HISTORY. THAT IS DELIGHTING GASTROCRATS, AND WARMING ITS COFFERS.

By **GOUTAM DAS**

The 15-minute rickshaw ride with Ravitej Nath, Executive Chef at The Oberoi, Gurgaon, from Jama Masjid to the spice haven of Khari Baoli in Old Delhi, opens up an interesting conversation. "People talk of molecular gastronomy, the use of foams. But *Daulat ki Chaat*, which you get in Purani [Old] Delhi during winters, is a foam," he quips, as we pass Chandni Chowk.

Molecular cuisine, pioneered by European chefs, induces physical and chemical reaction on ingredients to pack a surprise. Familiar flavours are rendered in new ways; mango balls can be made to look

PHOTOGRAPHS BY SHEKHAR GHOSH



Ravitej Nath, Executive Chef at The Oberoi, Gurgaon, at the Jama Masjid. He often visits Old Delhi to pick up Indian herbs and spices, which are key to recreating lost recipes of the Mughal era

**PARINDE MEIN PARINDA:** A complicated assembly of a quail and an egg inside a chicken and the chicken inside a duck! Cooked on dum, it is inspired by Arabic traditions (The Oberoi, Gurgaon)

like egg yolk, while balls made from balsamic vinegar are disguised as caviar. Foams, often, are used for texture.

The humble *Daulat ki Chaat* may also appear a product right out of a food lab – it is chemistry at work but not quite the way the West knows. Sweetened milk is whisked and left on the terrace of Old Delhi houses during winters. The churning forms a cloud. The cold and morning dew slowly solidifies it, giving the dish an unique appearance.

"Playing with textures, temperatures, and the element of surprise, hallmarks of molecular gastronomy, is there in Indian cuisine too," Nath says.

Perhaps, Indian gastrocrats don't respect *Daulat ki Chaat* as much. Perhaps, they don't know. Perhaps, they have totally forgotten such a dish exists, and could be quite luxurious if presented at the high table by the pool, in gold plated serveware, with a paired dessert wine, and a story weaved around it.

Luxury addresses such as ITC, Oberoi Hotels, The Taj Group, and The Leela are trying to do just that. Dig into the pages of Indian history books, pick up clues, chase the descendants of royal chefs, and conjure up dishes that are mostly forgotten.

The past, it turns out, makes great future sense. Food historian Pushpesh Pant calls it "the revival of culinary heritage project".

"We would like to bring back regional Indian food into being a more popular choice for people. It is not enough to say my grandmother makes the best *dal*. We would like those talents and recipes to come out in the commercial space and cater to a much larger audience," says Nath, as he picks up *Khus ki Jar, Kabab Khandi*, dried rose petals, and *Paan ki Tehni* – herbs nearly lost, and those that he plans to use at his restaurants.

It makes future sense because the returns on investment in this revival journey can be rewarding. "Once recipes are retrieved, adjusted for contemporary palate and standardised, these can be included in menu and pull patrons with their novelty," says Pant. "Extra special exotic and expensive delicacies can be marketed for VIP guests. Or become signature dishes at landmark restaurants to be unveiled for Presidents and Princes. These become aspirational orders for others." Large segments of NRIs, attracted towards their own culinary inheritance, are also a target audience. "To my mind, it makes good business sense to shift gears and change course. Moguliya is passé. Tandoor and Galawat overdone. Time to look beyond and offer an unique special product (USP)," Pant says.

Hotels do report spike in sales when such a USP is presented. Social media hype creates curiosity. The Taj Mahal Hotel in New Delhi ran a 'Saturday Nizami Brunch' between June and July 2015. Compared to a regular buffet, the hotel did 25 per cent more business. The Oberoi, Gurgaon, did roaring business with a food festival christened 'Lost recipes of the Mughal era'. Held between August 7 and 16 this year, it raked in ₹14 lakh in 10 days. About 600 people tasted the fare.

The Oberoi is the latest luxury chain to join the forgotten food bandwagon.

**MURGH ZAMEEN DOZ:** *Roomali*-wrapped chicken cooked in earthen pot underground. Akbar-Rajput alliances may have influenced the style (The Oberoi, Gurgaon)

**SHIKAMPURI KEBAB:** Shallow fried lamb patty stuffed with fresh mint, yogurt and egg white; from the kitchens of the Nizams (The Leela Palace, New Delhi)

Pant quips that the group is known for its partiality to Western cuisine but is now showing remarkable interest in revival of lost Indian recipes. "The conclave of Oberoi chefs at Gurgaon to my mind is evidence of their serious commitment to Indian food," he says.

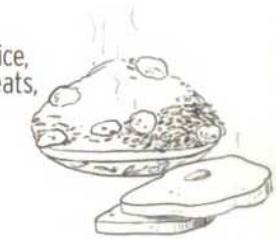
What did it do?

In October last year, The Oberoi, Gurgaon, held a five-day 'Rivaayat' – the conclave Pant is taking about – to revive traditional Indian cuisines. They flew down 35 of its chefs from across the country to document, learn, discuss and experience forgotten recipes from Hyderabad, Delhi, Punjab and Awadh. The conclave brought food writers, historians and cuisine experts such as Osama Jalali and his mother, who specialise in Old Delhi cuisine, under one roof. Jalali's mother, Nazish, is from Rampur and moved to Old Delhi after marriage. The husband was a doctor and when cooks of the region took ill, they would pay back in food – cooked meals. The Jalali family, over the decades, became a custodian of many secret recipes Old Delhi cooks never share.

"One big problem is that Indian food is not

## A BRIEF GASTRONOMIC HISTORY OF DELHI

### Circa 1500 B.C.
**Indraprastha**
DISHES: Meat soup, meat cooked with rice, spit roasted/ charcoal seasoned meats, Madhulajah, Apupa (desserts)

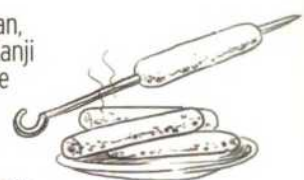


### 10th to 12th centuries
**Rai Pithora/ Lal Kota**
DISHES: Rajput Repast Shuley, game meats, Bhadritaka

### 13th to mid-16th centuries
**Turko-Afghan Sultanate**
DISHES: Kebab, Halwa, Lashkari Khana, Nehari, Naan, Sabooni Sakkar, Sambusak, Sharbat e Labgir

### Mid-16th to mid-17th century
**Early Mogul**
DISHES: Bihari Pasanda Kebab, Kulfi

### Mid-17th to 18th century
**Late Mogul**
DISHES: Qorma, Ishtew, Musallam Raan, Kashmiri Shabdeg, Bania Bedami, Kanji Bada, Kayastha Take Paise ki Sabzee



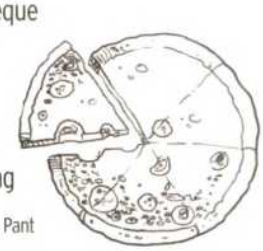
### 19th century
**Twilight of the Empire**
DISHES: Roasts n Bakes, Chaat, Sherbats, Murabba, Paratha, pan fried Shami Kebab

### Mid-19th century to Delhi Durbar and beyond
**Impact of two World Wars, rising tide of freedom struggle**
DISHES: Mutton Cutlets, Kedgeree, Coronation Chicken, Continental Bakery

### 1947 to 1964
**The Nehru Era: Refugee influx**
DISHES: Tandoor Tikke, Paneer, Tandoori roti, Kulche-Chole, Bhature, Butter Chicken, Gulgule

### 1965 to 1989
**Indira Gandhi's India**
DISHES: Fast food, dhabas. Deluxe hotels and ethnic eateries revive NWFP Barbeque and Awadhi delicacies

### 1990 to Present
**Confluence of cross currents**
DISHES: Regional Indian, international cuisine, both street food and fine dining



Source: Food historians Babso Kanwar and Pushpesh Pant

Interview with Gautam Anand of ITC Hotels at businesstoday.in/itc-anand

**CORPORATE CHEF MANJIT GILL (L) AND GAUTAM ANAND, VICE PRESIDENT OF OPERATIONS PLANNING AND PRE-OPENING SERVICES AT ITC HOTELS.** The hotel chain stresses on reviving lost cooking processes and forgotten grains

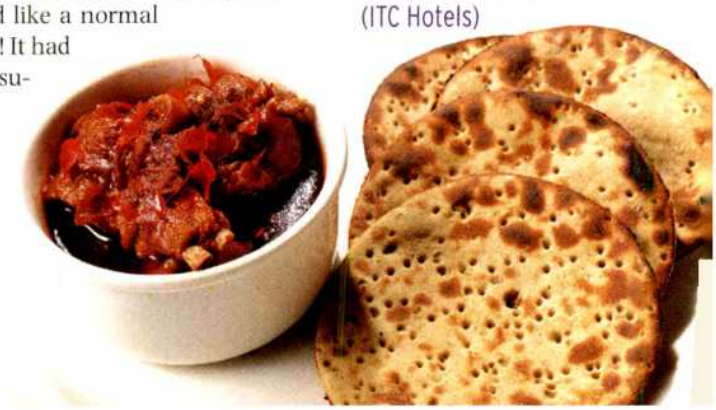
**BAJRA KHICHDI:** Efforts to revive millets and turn it into a healthy luxury (ITC Grand Bharat)

documented; it is easier to cook a pasta than a *Nihari* in India. Now we have 40 recipes that have been documented. They are available in any Oberoi hotel. That was the target of the first conclave," says Nath. "The chefs went back and so far, Oberoi Hotels has done about 12 food festivals, apart from putting the fare on the menu," he adds.

'Lost recipes of the Mughal era' – the group's latest festival – packed many lost dishes with an element of surprise Nath was talking about earlier. Two of them are *Parinde mein Parinda* (smaller birds are stuffed into a bigger bird, ₹3,175) and *Mutton Halwa* (₹442). This writer sampled *Mutton Halwa*. It came in a gold plated serve ware and appeared like a normal *moong dal* halwa. Surprise! It had extremely minced meat, superbly disguised.

"I got two references for the dish but there were no recipes," says Jalali, who helped Nath with the festival. "One

**JUNGLEE MAAS:** Minimalist and ancient hunter fare; red meat is cooked with just four ingredients – *ghee*, red chilli, salt and water (ITC Hotels)



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Interview with Ravitej Nath of Oberoi Hotels at businesstoday.in/oberoi-nath

**OSAMA JALALI, FOOD CRITIC AND RESEARCHER,** helps luxury hotels revive old Delhi cuisine

was from a fifth generation of *Khansama* (male cook) in Old Delhi and the second was a gentleman called Masoom Ali. He is 80. When he got married, his mother-in-law made it for him in Rampur."

The first time chefs at The Oberoi tried, the dish ended up tasting like milk cake. It took several trials to perfect it. Persia may have influenced this fare – mutton and sweet were combined liberally in Persian cuisine, says Jalali. Humayun's wife was a Persian and must have introduced 'sweet meats'.

Stories such as this sell. About 30 per cent of the dishes from the festival have now been included in the hotel's Threesixtyone Degrees restaurant menu.

ITC Hotels, too, is a master at retelling the past in new ways. It has been a pioneer in heritage cuisine and it continues to invest heavily in research and workshops that fuel great food ideas.

"When we started the company, there was a community researching Indian food and it was called the 'Kitchens of India'. That gave rise to Bukhara (North West Frontier cuisine) and Dum Pukht (Awadh)," says Gautam Anand, Vice President of Operations Planning and Pre-opening Services at ITC Hotels.

Anand, along with Corporate Chef of ITC Hotels Manjit Gill did a workshop of *Kebabs* in 2001. "Someone came and asked me 'Mr Anand where can I get the best *Kakori Kebab*?' I could do two things – shoot him or go and check where we were going wrong," says Anand. "We were the fountain head of *Kakori Kebabs*. We said we will do 100 kebabs in a workshop. We archived, tested, verified. From there, came K&K." he adds. K&K or Kebabs and Kurries, is an ITC restaurant brand that serves *Quarmas*, *Qaliyas*, and *Salans*, apart from *Kebabs*.

ITC is now planning a workshop on rice. Chefs are meeting anthropologists and agriculture scientists. "Till we started work, we never knew there is something called bamboo rice," says Gill. "We found bamboo rice in Kerala. It is white-brown in colour and is subjected to a process with the chlorophyll of bamboo. It is a forgotten rice."

For Gill, revival does not mean dishes – it means the process of cooking and often, rare ingredients such as this rice and other grains. One afternoon at the ITC Maurya in Delhi, he made this writer taste several of what he calls *Swasthya* cuisine or health cuisine – a concept that is being incubated at the ITC Grand Bharat in Gurgaon. *Bajra Khichdi* and *Visikara* are two of them. *Visikara*, particularly, is an example of a lost process being

**GOSHT KA HALWA:** A *halwa* made with super minced mutton; dish recreated from the oral versions of two Old Delhi residents (The Oberoi, Gurgaon)

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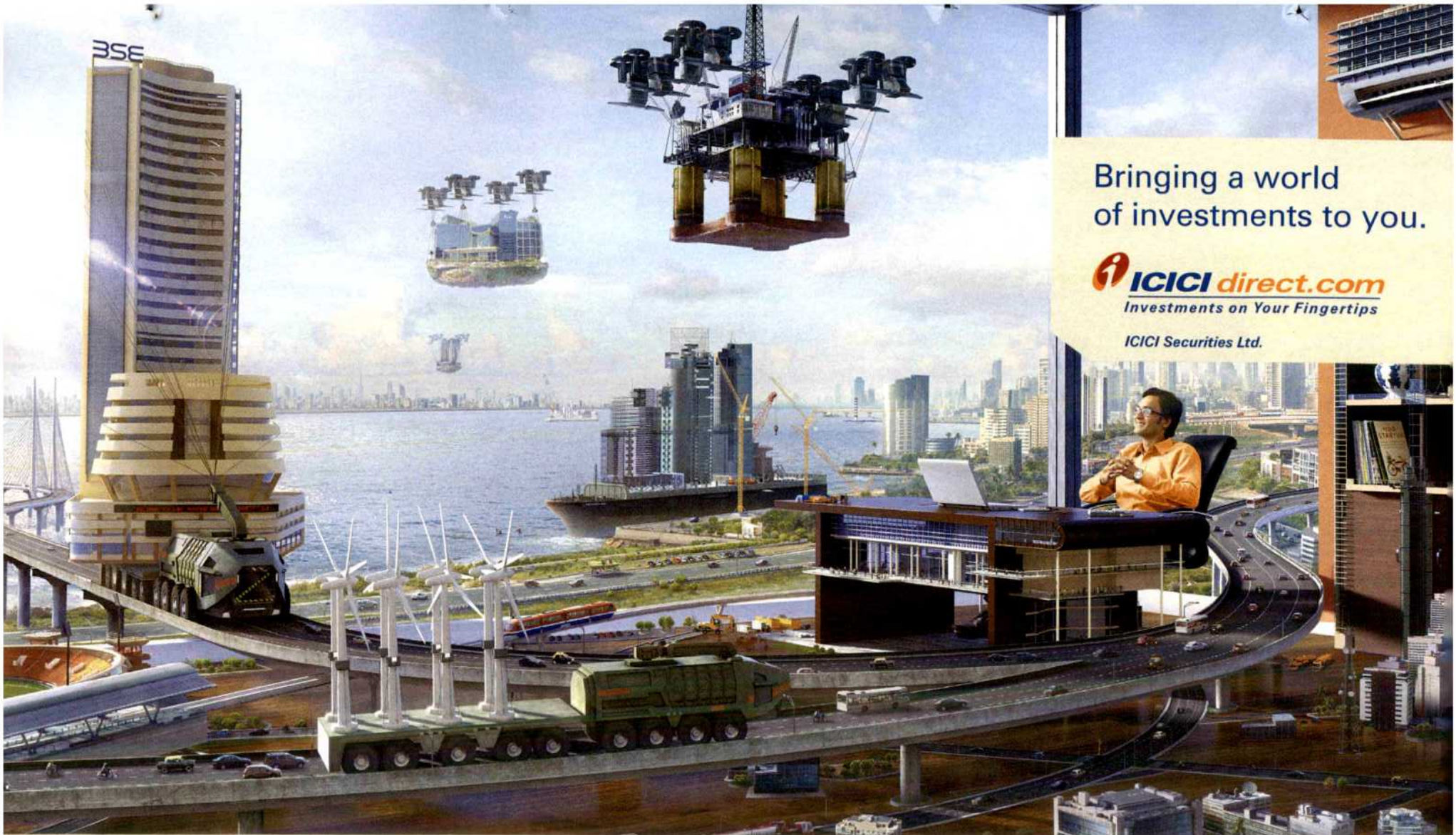
**ARUN SUNDARARAJ, EXECUTIVE CHEF OF THE TAJ MAHAL,** researches Nizam cuisine. He cooked up a Nizam's *Khichri* during its June food festival and, hold your breath, it had 30 ingredients!

revived: in this ancient fatless chicken broth, chicken paste is fed into the stock to make the gravy richer. "People remove fat from the mutton and try to make a fatless *Roganjosh*. But there are hundreds of fatless dishes in our cuisine," says Gill. Today, onion, garlic, yogurt, cashew nut and almond paste are used to get the desired body of a curry. "This sort of a luxury was not there in ancient times," the chef adds.

**DUNGAR MAAS:** 17-18th century dish from Mewar region of Rajasthan. Lamb cooked in a pot and smoked (The Taj Mahal Hotel, New Delhi)

The reverse is true as well. Some luxury dishes of the past are not only difficult to conjure up, they may be nearly impossible to take in today, even if you have a large stomach real estate. Chef Arun Sundararaj, Executive Chef of The Taj Mahal, who researches Nizam cuisines, cooked up a Nizam's *Khichri* during its June food festival. Hold your breath – it had 30 ingredients, including reduced lamb stock, lamb, chicken mince, partridge bird, three types of lentils, almond paste, cream, butter, *ghee*, and 10 spices! That's easily a 5,000 calorie dish. The chef's advise to the curious: Take it in small potions. ◆

*@Goutam20*

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Industrialist Gautam Punj with his fleet of Mercs

Interview with Gautam Punj at
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SHEKHAR GHOSH

# IN THE *LUXE* LANE

THE SCION OF THE INDUSTRIALIST PUNJ FAMILY TELLS *BT* WHY THE MERCEDES-BENZ S-CLASS S 500 DENOTES LUXURY TO HIM.

**By ALOKESH BHATTACHARYYA and CHITRA NARAYANAN**

It is an unusually hot and humid afternoon in Delhi. As we wait for the subject of our interview – industrialist Gautam Punj – to arrive, our eyes search the spacious porch area for the star of the meeting.

No, it's not Punj we are looking for.

Instead, it's his favourite car – the Mercedes-Benz S-Class S 500. When first launched in India five years ago at the 2010 Auto Expo in Delhi, it was tagged "the best car ever made in the world" by the company's then CEO Wilfried Aulbur. Typical company PR-speak, we think – surely the likes of Rolls-Royce, Bentley, Aston Martin, Porsche, Maserati and even Mercedes's direct competitors Audi and BMW would like to contest that. But Merc drivers and (backseat) riders and even auto experts around the globe swear by that appellation.

Says Hormazd Sorabjee, who has driven and tested practically every luxury car in the world, and

# THE EVOLUTION OF THE LUXURY CAR MARKET

Way back in history - in the 1960s and 1970s - the global luxury car market was divided between the Americans, the Brits and the Germans. In America, the Cadillac badge from General Motors ruled supreme. Each year, they became bigger, softer sprung (for more comfort) and more opulent. Ford had its own contender in Lincoln Continental, but it was considered just a step behind the Cadillac by the movie stars and rock stars.

In the UK, the Rolls-Royce and Bentley ruled the roost. They were owned and made by the same company, since Rolls had bought Bentley in 1931. The Rolls-Royce billed itself as the most luxurious car for kings, sultans and the truly rich, the Bentley was for the discerning and sporty gentleman who wanted to combine luxury with driving pleasure. In Germany, Mercedes and BMW were battling it out, with Mercedes taking the uber luxury positioning and BMW pitching for driving pleasure. Even then, the Rolls was considered the ultimate in luxury.

In the second decade of the 21st century, things are infinitely more complicated. Cadillac is now a niche player, having fallen by the wayside after a series of missteps that started in the 1980s. BMW now owns Rolls-Royce, while Volkswagen owns Bentley. Mercedes briefly flirted with the uber luxury segment - the one beyond the S-Class - with the Maybach, before discontinuing it. Now, it is reviving the Maybach to take on Rolls and Bentley.

Until five years ago, the super luxury end was divided into two segments by car lovers. The first one contained the Mercedes S-Class, the BMW 7 series with the Audi A8 nipping at their heels. Just above this trio was the Rolls and the Bentley, with the Rolls being considered the more luxurious while the Bentley combined luxury with sports lineage. New entrants in the super luxury market include Porsche and Aston Martin. Porsche launched the Panamera, while Aston Martin joined the club with the Rapide. But they have been unable to dent the market of the traditional bigwigs, since true to their lineages these cars remain sporty first, even as they combined these with added comfort and luxury.

Over the last two years, the uber luxury car market segments have become blurred. First, in 2014, Mercedes introduced the new

Bentley Flying Spur

S 600 Maybach

the Editor of Autocar India: "Definitely, S 500 is the best in its class when it comes to premium luxury sedans. All the top carmakers like Audi and BMW also have very good cars, but S 500 is the best." Tutu Dhawan, a former car rally champion who is now in the business of restoring old automobiles, shies away from calling it the "best", saying it is "one of the best", but adds that Mercedes cars have far greater aspirational value than Audi and BMW. "And the S 500 is the ultimate car from Mercedes," he says.

Gautam Punj thinks likewise. Lean, trim and good looking, Gautam, 40 (though he looks younger), is the youngest member of the Delhi-based Punj family. His father and six uncles run independent businesses – the most famous being the ₹5,000-crore engineering and construction major Punj Lloyd – but stay in the same house. Gautam's father N.P. Punj is the CMD of Lloyd Insulations, which manufactures insulation materials, pre-engineered buildings, fire-proofing and mechanical erection works, among other things, for industries ranging from ship building to steel making to oil refineries to pharmaceuticals to automobiles to many others. Gautam, who joined Lloyd Insulations (where he is a director) about 15 years ago, is as much into running the operations of the business as his father, besides, of course, being earmarked to take over the business in future.

Gautam has a fundamental, deep-seated love for Mercedes-Benz cars. In fact, he is almost always among the first to book a new car at launch. It happened with the S 500 (new generation), which was launched in January 2014. It also happened a decade ago when the company launched the SLK in India.

"I have been primarily using Mercedes cars since I was

S-Class, which was rated by many of the cognoscenti as a car that could rival the Rolls and the Bentley. Suddenly, the S-Class moved one step ahead of the BMW 7 Series and the Audi A8. Meanwhile, Rolls-Royce and Bentley were both bringing out versions that would provide luxury car patrons with an option below their absolute top models. So Rolls-Royce introduced the Ghost - which was supposed to be an "affordable" Rolls, if you could call a car starting at a sticker price of ₹3 crore plus as affordable. While Bentley hasn't exactly taken that route, it has also brought out different cars to appeal to different segments - the Mulsanne, the Continental Flying Spur, etc.

Spurred by the qualitative leap the Mercedes S-Class took in 2014, BMW has also just launched his all new 7 Series (officially the BMW 7 Series 2016 model), which will start deliveries in November or December. This one, according to early reviewers, matches and even outdoes the Mercedes S-Class, with technology being the focus.

Mercedes has its own plans. Its Mercedes S 600 Maybach will not be merely a stretched Mercedes S 500 - it is a much bigger and opulent car, bringing it straight into the Rolls-Royce Phantom territory.

It has never been a better time to be a buyer of super luxury sedans. In fact, if there is a problem, it is a problem of plenty. - **Team *BT***

Rolls-Royce Ghost Series II

24, when I started work," he says. Reason? Simple. For Gautam Punj, luxury is not in the bells and whistles, but in the most basic requirement of a car: "Ultimately, it comes down to reliability." In all of these 25 years, Gautam claims, none of the Mercedes-Benz cars he drove ever broke down. "Not too sure whether that's true of some of the other luxury cars [that he drove]," he says, diplomatically avoiding naming any other brand. Says Dhawan: "Each car's engine has the signature of the engineer who designed it, and has lifetime guarantee. These engines are built so robustly and with so much perfection that there is no chance of a collapse. In this respect, Mercedes is the best."

**₹1.7 crore**
The on-road price of the S 500 in Delhi

And then, there is the S-Class S 500. The car is the jewel in the crown of Mercedes-Benz. Worldwide, cars made by the likes of Mercedes-Benz, Audi and BMW are perceived to be premium cars. It is only their top models – the S-Class, A8 and 7-Series, respectively – that are considered luxury. And for Mercedes, the S 500 is its flagship model, in a league much beyond even its other S-Class cousins. With an on-road price of ₹1.7 crore in Delhi, you'll have to wait about one and a half years for delivery.

Gautam tells us why he feels S 500 is better than any Mercedes prior, or other comparable luxury cars. "In terms of driving performance, the suspension on some of the other luxury cars I've driven is not as smooth as the one on the S 500. It becomes very important especially when you are sitting at the back." In fact, Gautam had the same problem with his earlier Merc, an ML350 SUV. Because it was a 4X4, "the suspension was a little harder. In saloons, both in E-Class and S-Class, it is equally good".

Experts, too, agree that S 500 offers the smoothest ride of all, despite the fact that others such as Audi and BMW also have different settings for the suspension depending on whether you're driving on the highway or in the city. "Mercedes has really cracked the suspension in the S 500," says Sorabjee. "Compared to the current crop of competitors, it gives the best performance. Of course, BMW will soon launch the new 7 Series, so we don't know what that will bring." The S 500 also has a radar system – which is not available in India – that spots road conditions and adjusts the suspension accordingly.

The new S 500 is lengthier, wider and higher, leading to more leg room, head room and shoulder room. The power it generates – 458 hp at 5250-5500Nm of torque – is much more and the car is also faster than the previous generation. New features include seven types of ambient lighting, active parking guidance with 360-degree camera, large COMAND and instrument display (which allows you to control the car's entertainment, navigation, Internet and heating systems), Nappa leather interiors with diamond stitching, 'Hot Stone' massaging rear seats, Burmester Sound System, a much bigger and

wider front grille, and so on.

A feature called Crosswind Assist helps the driver to stay on course, with specific braking intervention, in strong, gusting cross-winds. This particular feature is claimed by Mercedes to be unique to itself. Another feature called "night vision" allows the driver to spot objects on dimly-lit roads – a passing cyclist, a dog crossing the road, a large stone in an uncomfortable position on the road – that are otherwise difficult to spot.

For Gautam, technology is very well, but his priorities are clear. "My preference goes for advancements that have a sense of reliability. I see too often people get very carried away by a fad – the latest thing, the latest phone. That's fine, but when you're going for cars or houses – the big things – there has to be a certain amount of sensibleness in your choice."

So, what else does Gautam like in the S 500? The music system. The car has a Burmester 3D high-end surround-sound system (24 speakers, including three in the roof lining, with a total output of 1,540 watts and front bass). And what does he use this setup for? "I listen to Bhajans when I'm going to work, I find it very soothing. And jazz when I go out on Saturday nights or when I'm driving."

He also likes the seats: "The seat adjustability is great. Comfort, ergonomics are very good. Many other saloons have deep seats. After a while, they put a strain on your lower back. But the S-Class seats don't get too deep." That is something Sorabjee doesn't quite agree with. "All cars in that segment have very good seats. The A8 (Audi) has seats that can be reclined to become almost like airline seats. There isn't really any differentiator for S 500 in this aspect."

Another preferred feature is the massage function of the seats. In Mercedes-speak, it's called the "ENERGIZING hot stone massage function". It has six different programmes. "It relaxes me on a long drive," says Gautam. "Secondly, when I'm driving back from the gym, it's nice to relax your muscles. For my parents, it's very important. Because driving in Delhi

## THE ARRIVAL OF LUXURY SUVs

It used to be that the seriously rich gentlemen and ladies were chauffeured around in the big luxury sedans - the Mercedes S-Class, the BMW 7, the Jaguar XJ or - if they were really loaded, in the Rolls-Royce or the Bentley.

Now though, an equal number prefer driving around or being driven around in luxury and super luxury sports utility vehicles (SUVs) and other off-roaders. There is a good reason for this. Traditionally, luxury cars were the exclusive preserve of the rich gentlemen and the aristocracy. If they were young enough, they also had a sports car or a super car in their garage for weekend thrills, but their day job vehicles were generally big sedans.

Then the composition of the super rich changed. As rappers, pop stars, wrestlers, football players, boxers, movie stars and other celebrities made their millions - and in some cases, billions - they looked for something more sporty and beefy to suit their rugged images.

Till even a decade and a half ago, SUVs were not considered the favourite vehicles of the wealthy. Only one off-roader was considered truly luxurious - the Range Rover (now owned by the Tatas). True, Mercedes and BMW also had SUVs, but these were not emphasised too much and the accent was on sedans.

One of the earliest to recognise the shift in market preferences was Porsche, which came out with its Cayenne in 2002. When it announced it was working on a crossover/ SUV, there were howls of protest from Porsche

Porsche Cayenne S

purists who thought the company was losing its core philosophy. However, the Cayenne was a runaway success from the day it was introduced and is one of the company's biggest sellers. Demand for Porsche SUVs is so high that the company recently introduced the Cayenne's smaller sibling, the Macan.

Though Range Rover still maintains its leadership position in the arena of the truly luxury SUVs, it is likely to face unprecedented competition soon. Bentley is launching its own luxury SUV, the Bentayga. Rumours say that some 4,000 Bentaygas have already been pre-ordered, though the deliveries will only start early next year. Meanwhile, Rolls is said to be working on its own SUV - which, as all things from Rolls-Royce, will probably try to be the last word in luxury. Across the pond, the Cadillac Escalade is also on the roads, though it is not considered in the same class (luxury wise) as the Range Rover, Bentayga or the Rolls. Then there's the Maserati Levante, scheduled to launch by the end of 2015, Urus from Lamborghini in 2018, and an Aston Martin luxury SUV due in 2019. And do not forget that Mercedes and BMW have also started paying a lot more attention on their SUVs than ever before. For the millionaire rapper, the choice of wheels has never been as plentiful. No wonder, sales of SUVs with price tag starting $75,000 has shot up 44 per cent in the first half of this year.

*Team BT*

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The plush interiors of the S 500

COMAND Control function

for 30-40 minutes is quite stressful, and old people have difficulty getting up after such a drive. This feature helps them." Of course, comparable cars like Audi's A8 and BMW's 7-Series also have massaging function. "Personally I find this quite gimmicky. All these cars have massaging function, so it's no big deal," says Sorabjee. But Tutu Dhawan differs, saying the massaging function in the S 500 surpasses the others.

Among other features, the one Gautam likes best is the self-parking feature. "In India, I don't have the confidence to use it because there are just too many cars. But in London I use that a lot. Especially when you need to get the car into a tight gap, it is very useful."

Then, the S 500 has seven ambient lighting – Dawn Red, Morning White, Twilight Purple, Late Glow Red, Daylight White, Sunset Orange, Moonlight Blue. "It affects your mood," says Gautam. The ambient lighting is effected by LEDs inside the cabin. In fact, the car does not have a single bulb. Everything is LED. Of course, Audi's A8 also has all-LED in its headlamps. Again, Ambient lighting by itself is not unique to Mercedes, though seven variations is interesting. But then again, as Sorabjee says, even Tata's upcoming Hexa – a premium SUV – will have six ambient lights.

For Gautam, the real test of a car is in how much trouble it gives – or doesn't give. "Without wanting to sound morbid, in the eventuality of something going horribly wrong, you'd much rather be in something where you know it is as safe as it can get," he says.

The real test of a car is in how much trouble it gives - or doesn't give

For Sorabjee, what sets apart the S 500 from the rest is its overall feel as an opulent luxury car. "The refinement in the engine is very good," he says. "Interior quality is exceptional. The S 500 has a very refined sense of luxury."

Gautam has also driven super cars –sports cars like Ferrari and Lamborghini, and luxe ones like Maserati and Aston Martin. He finds the "gullwing", the Mercedes-Benz SLS AMG, "beautiful. But I think my parents will not be too keen on getting a sports car".

Finally, we ask Gautam if there's anything at all, about the S 500 he doesn't like. He thinks for a moment, and chuckles: "It doesn't fly!"

That it doesn't, but Mercedes-Benz and others are getting close. Several carmakers worldwide – including Mercedes-Benz, Volkswagen, Nissan, Renault, General Motors, and Audi, etc., are working on autonomous cars – cars that can drive themselves. Even Google is on it. In an autonomous car, you can let go of the steering, and the car drives itself through traffic signals, intersections and oncoming traffic, thanks to an array of maps, cameras and radars.

In the not-so-distant-future, such cars could allow the driver and passenger to swivel their seats and face the back-seat passengers during a drive, and have a meeting. Or a drink.

But will they be as comfortable as the S 500? Ah... ◆

*@alokeshb; @ndcnn*

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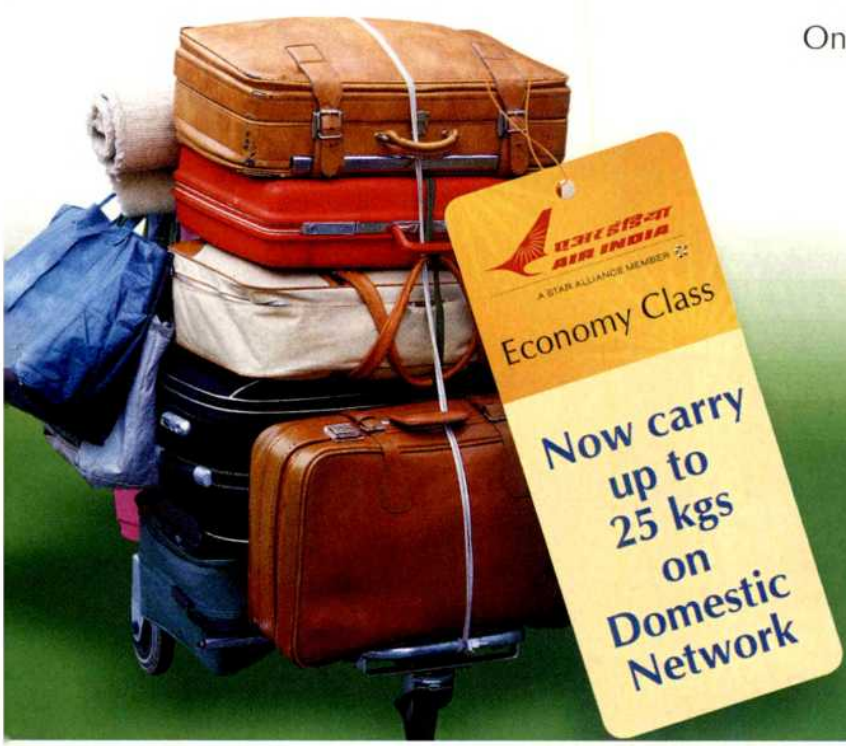


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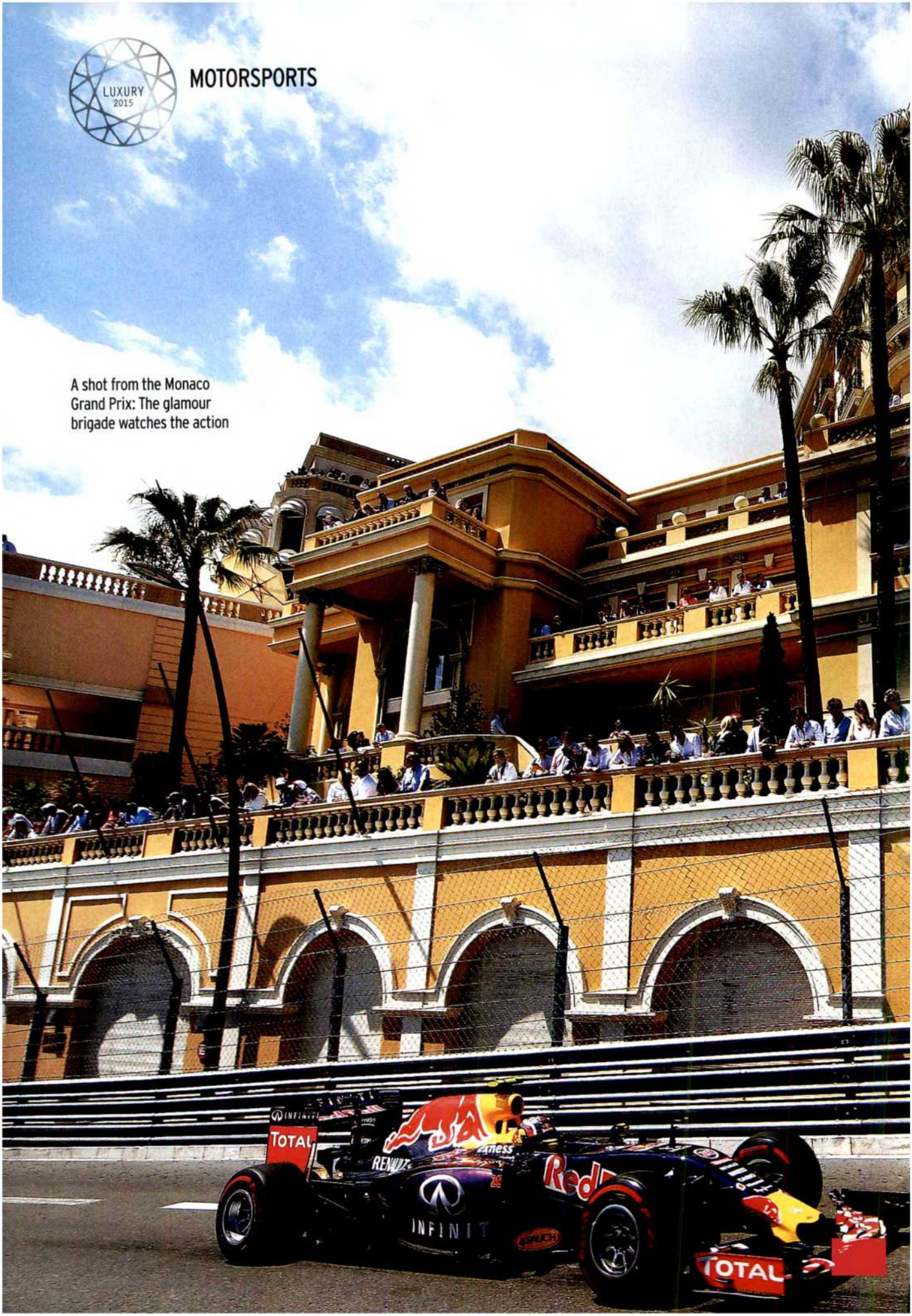
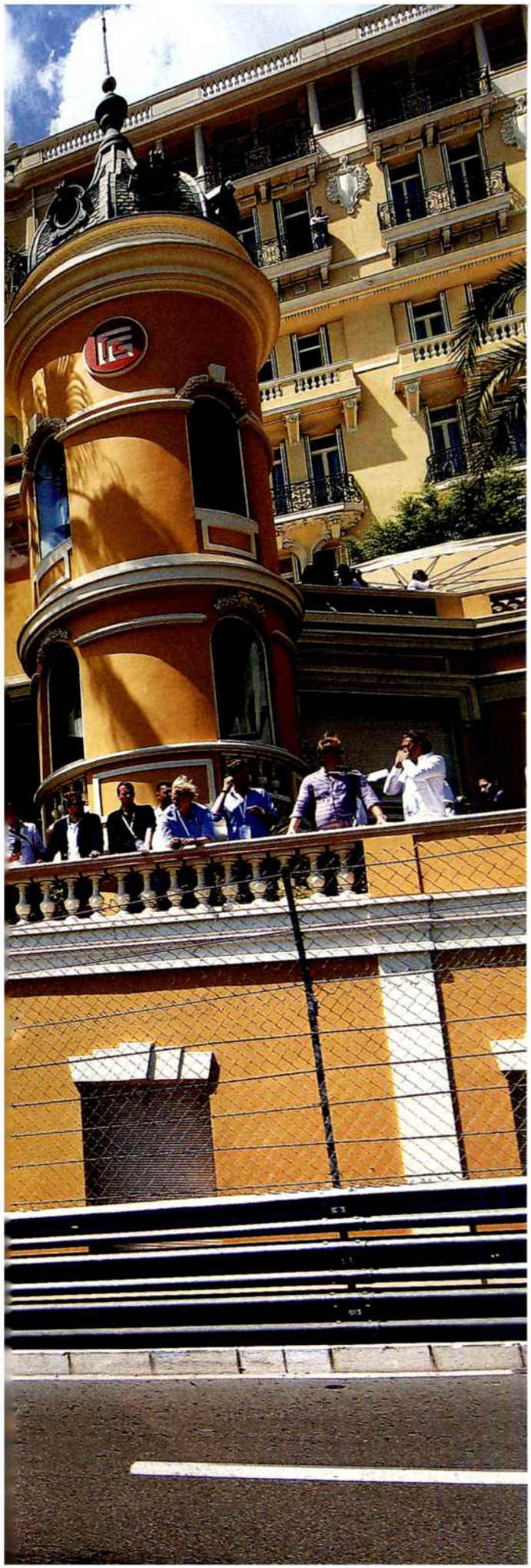



A shot from the Monaco Grand Prix: The glamour brigade watches the action

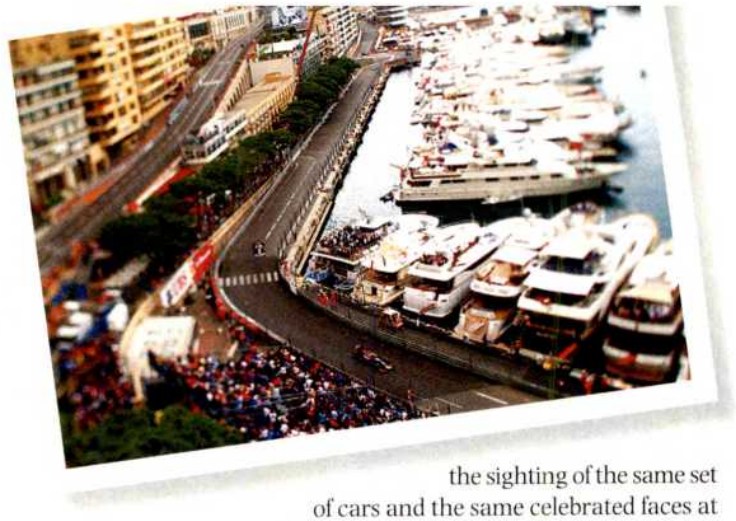


# PIT STOPS AT THE F1 TRACK

A-LISTERS LIKE IT FAST AND FURIOUS GOING BY THE NUMBER OF YACHTS ANCHORED AT MONACO AND THE JETS ROARING INTO SINGAPORE. VIGNETTES FROM THE WORLD'S MOST GLAMOROUS SPORT. **By S. KANNAN**

For the uninitiated, visits to a Formula One event for the first time could be a challenge – the smell of burnt rubber on tarmac, the din, and the rush of adrenaline during a live event can throw you off your seat when you compare it to the more methodical world of on-screen F1 streaming from within the comforts of your home, where speeding cars seem to glide through almost every metre of the beautifully mapped 5.3 km single lap.

An F1 racing enthusiast, on the other hand, is on a high as soon as he gets a



glimpse of the speed demons whizzing past at 300 km per hour on the 'flat straight' at an F1 circuit. And, the deafening noise of the beasts, penetrating even through a good pair of ear muffs, is pure music to his ears. The elaborate preparation as he plans his day out at an F1 event is not a damp squib either. The die-hard fan waits for the smell of burning high-octane fuel to fill his lungs, looks forward to the sight of rubber shredding off like paper from the steel belts of the wheels, and cars flitting in and out of the pit lane – the joy is pure and spontaneous, and every minute spent watching a Grand Prix is a lifetime's experience for him.

What goes on behind the scene of the F1 commercial supremo Bernie Ecclestone's ultra-rich circus is not as exciting for him as the sighting of the same set of cars and the same celebrated faces at the steering wheels vrooming past each other with precision manoeuvers. Yet, given the complex matrix of running the businesses of top F1 teams, the logistics, dynamics and detailing that goes into organising the big events on the circuit are simply awe-inspiring.

The base model of a Formula One car comes for a price tag of more than **$10 million**

Cars we drive in could do with a few defective parts – a leaky oil seal, a worn-out tyre, or an untuned engine – but with an F1 car, be it the dominant Mercedes, Red Bull or Ferrari, a glitch or an error in judgement could mean death. Perfection and precision

## F1 IN NUMBERS

### Five richest drivers of all times

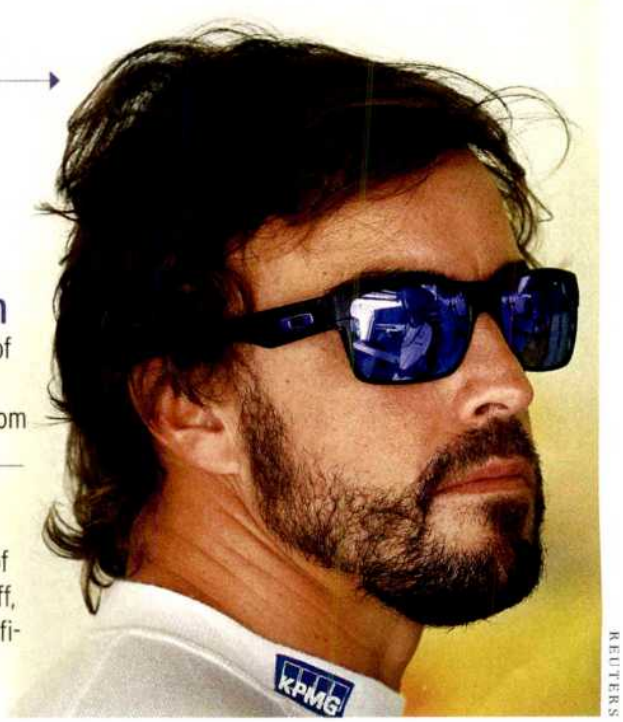
1. **Michael Schumacher** $780 million
2. **Fernando Alonso** $220 million
3. **Kimi Raikkonen** $180 million
4. **Eddie Irvine** $180 million
5. **Lewis Hamilton** $110 million

Source: Wealth X

**$2.8 Million**
Worth of liquor was consumed during 2011 Austin GP, a record even by F1's high standards

**515 Million**
TV viewership of F1 world-wide
Source: F1India.com

**$120 Million**
Amount that each team spends per year, including cost of designing cars, maintainance, payment to drivers and staff, and transporting the circus to the races. It can go up significantly for top teams like Ferrari, Red Bull and McLaren




REUTERS

must be in sync as drivers negotiate the twists and turns at breakneck speed from within the very uncomfortable interiors of the cockpit, flipping through the controls to put their best wheels forward.

However, an F1 car, which comes for a price tag of over $10 million, has around 80,000 components. And, the precision machine-like workings of F1 engineers at the pit lane garage are a marvel to watch out for – piecing together cars with an accuracy of 99.9 per cent. But, this still means that around 80 components are out-of-place when the car finally screeches onto the track.

While the glamour and glitz around the top teams and drivers bring their fair share of sponsors, for the lesser machines, such as the Vijay Mallya-owned Force India, it is a perpetual fight to get the economics right. Despite the struggle, Formula One is all about recreating magic – it's risky, charming, glamorous, sharp and, often, is the manifestation of the unreal in a real world. The excitement, the thrill, the money, the buzz, are an invitation for all those who love to live life in the fast lane – the creme-de-la-creme of the glam world, from Hollywood A-listers, and sports personalities, to politicians and corporators.

And, when the most happening Grand Prix on Bernie's global map, Monaco GP, takes place in May every year, we see the likes of Will Smith, George Lucas, Cameron Diaz and Leonardo DiCaprio at the stands, basking in the glory of the F1 world. In 2014, for example, revenues for the Monte-Carlo Société des Bains de Mer's, the owner of Monaco's flagship Monte Carlo Casino, rose to a five-year high of $649.7 million. About 5 per cent of the amount ($32.5 million) was generated at the Monaco F1 GP race. Add to this the revenue generated from rooms and food and beverages. The total money spent during the four days of the race can put the budget of many small countries to shame. The glamour quotient at the Monaco GP cannot be even distantly matched to other luxury events, including polo championships or yacht regattas.

This is not a race for normal F1 junkies to get their thrill. Everything comes here at a premium, from a bottle of wine to Grand Stand tickets, with the more privileged watching the action from their yachts! The lowest price for a race-day ticket for the 2016 GP at Monaco, a tax haven, is €7,500 (around₹5.42 lakh), while a platinum ticket for the VIP terrace would cost €2,50,000 (around ₹1.8 crore).

If this is not luxury, what else is?

If Monaco is beyond the reach of the average F1 fan, Grand Prix events at Sepang in Kuala Lumpur, Bahrain, Dubai and Shanghai can still be affordable if planned well. You can also buy a package deal that would factor in air travel, hotel stay and Grand Prix weekend ticket prices. In recent years, the Singapore Grand Prix has also been on top of the charts as it is a night race and comes with

## BUILDING AN F1 TRACK

Medical centre:
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Track:
**£48m**

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**£20m**

Pit building/ paddock club:
**£32m**

Media centre:
**£10m**

Earthwork and infrastructure:
**£32m**

Source: Business Life

**₹30,000**
Cost of paddock club ticket at the 2013 Indian GP for one day

Formula One boss Bernie Ecclestone

REUTERS

its own set of thrills.

So, what is this obsession of generations of aficionados to splash the cash when it comes to the high-octane world of F1?

Well, the answer is obvious. The combination of fast machines, handsome drivers, beautiful pit babes, unending supply of booze and opportunity to brush shoulders with top celebrities make for a heady cocktail which is too hard to resist, that is, if one has ample money to spend.

India did dabble with an F1 event at the *Buddh International Circuit* in Greater Noida for three years between 2011 and 2013, before going off the calendar. The reasons for the Indian event falling of the global F1 calendar are many, but even the licence fee that needs to be paid every year to the Formula One Management, or FOM, to host a race can be enough to throw the plans off track.

The costs at F1 are mind boggling. Top teams like Ferrari, Mercedes and Red Bull spend anything between $250 million and $300 million on development of engines and cars. Reams have been written on Formula One being a white man's sport. And, our own drivers, Narain Karthikeyan and Karun Chandhok, who dabbled with F1 for a while, confirmed it.

If you flip through the annals of F1, the event was not so commercial two decades ago. Thanks to the involvement of global sponsors and lavish global television coverage, Formula One has been a super hit as a business. But then, if you are going to ask what drivers make in comparison to Bernie Ecclestone, it's peanuts. Unless you are a Lewis Hamilton, Vettel or Raikkonen, there is little money. Many people find it hard to comprehend why drivers backed by a good consortium of sponsors are willing to pay anywhere between €8 million and €10 million for a single season. And this, when there is no guarantee you are going to be behind the wheels of a car which can challenge Hamilton, Vettel or Raikkonen.

In fact, back-of-the-grid drivers pay through their nose (via sponsors) to be part of the circus! Many have come and gone unnoticed, but having satiated the dream of being in F1.Quite similar to the old Indian athletes who went to the Olympics in years gone by, just to be a part of the atmosphere! ◆

The author is Sports Editor, *Mail Today*

WITH ADDITIONAL INPUTS FROM ABHISHEK PAUL

## MOST POPULAR WAGS

RAJ VERMA

**NICOLE SCHERZINGER**
The Pussycat Dolls singer has been in an on-off relationship with Lewis Hamilton. They are rumoured to have split after Hamilton started dating Kim Kardashian's sister Kendall Jenner

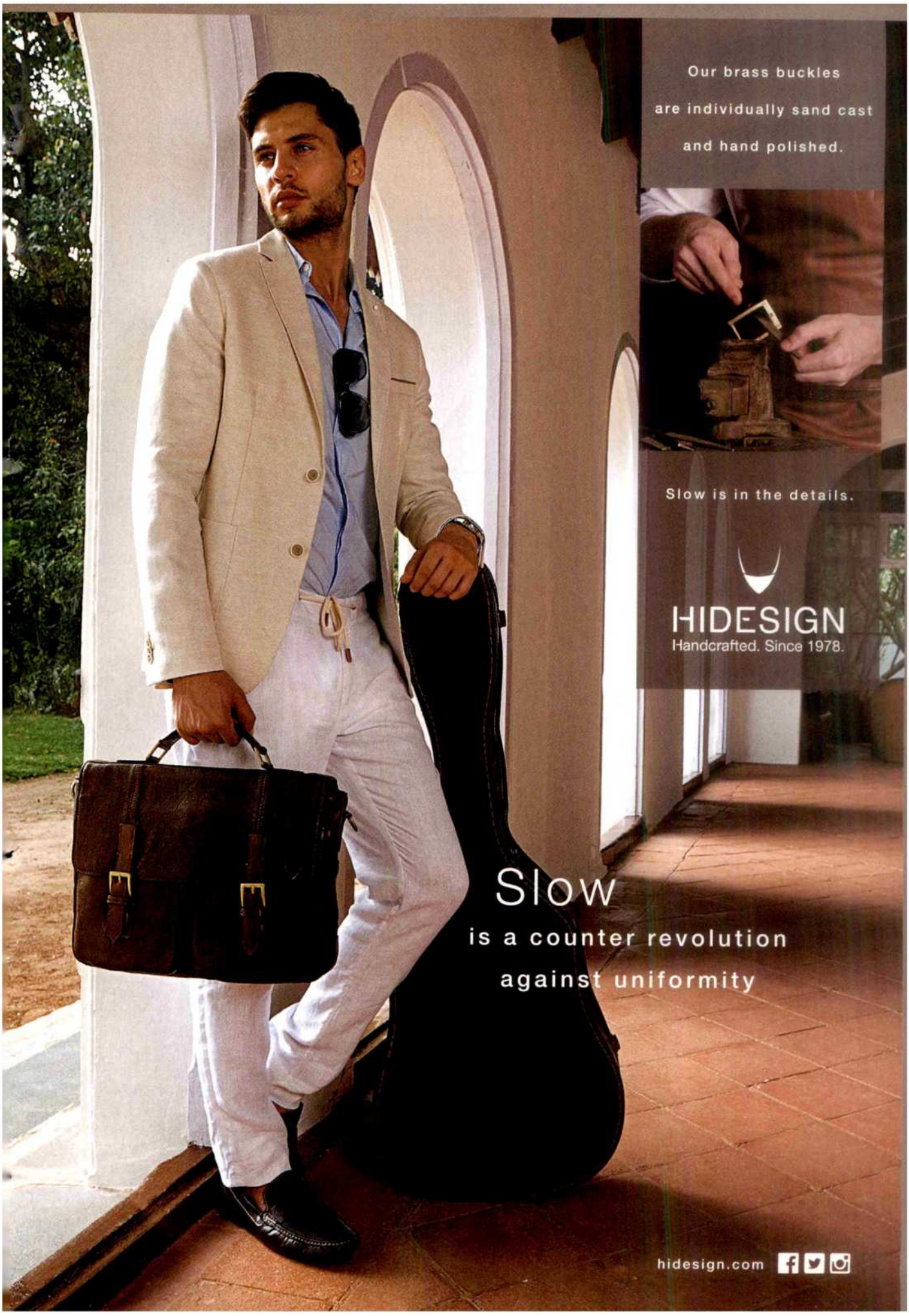
**ANNA RAFAELA BASSI**
Wife of Felipe Massa. Former model

**VIVIAN SIBOLD**
Wife of Nico Rosberg. She is an interior designer by profession

**JEMMA BOSKOVICH**
Girlfriend of Daniel Ricciardo. A jewellery designer from Australia

**JESSICA MICHIBATA**
Wife of Jenson Button. Model

**MICHELLE YEOH**
partner of FIA President Jean Todt. She is a former Bond girl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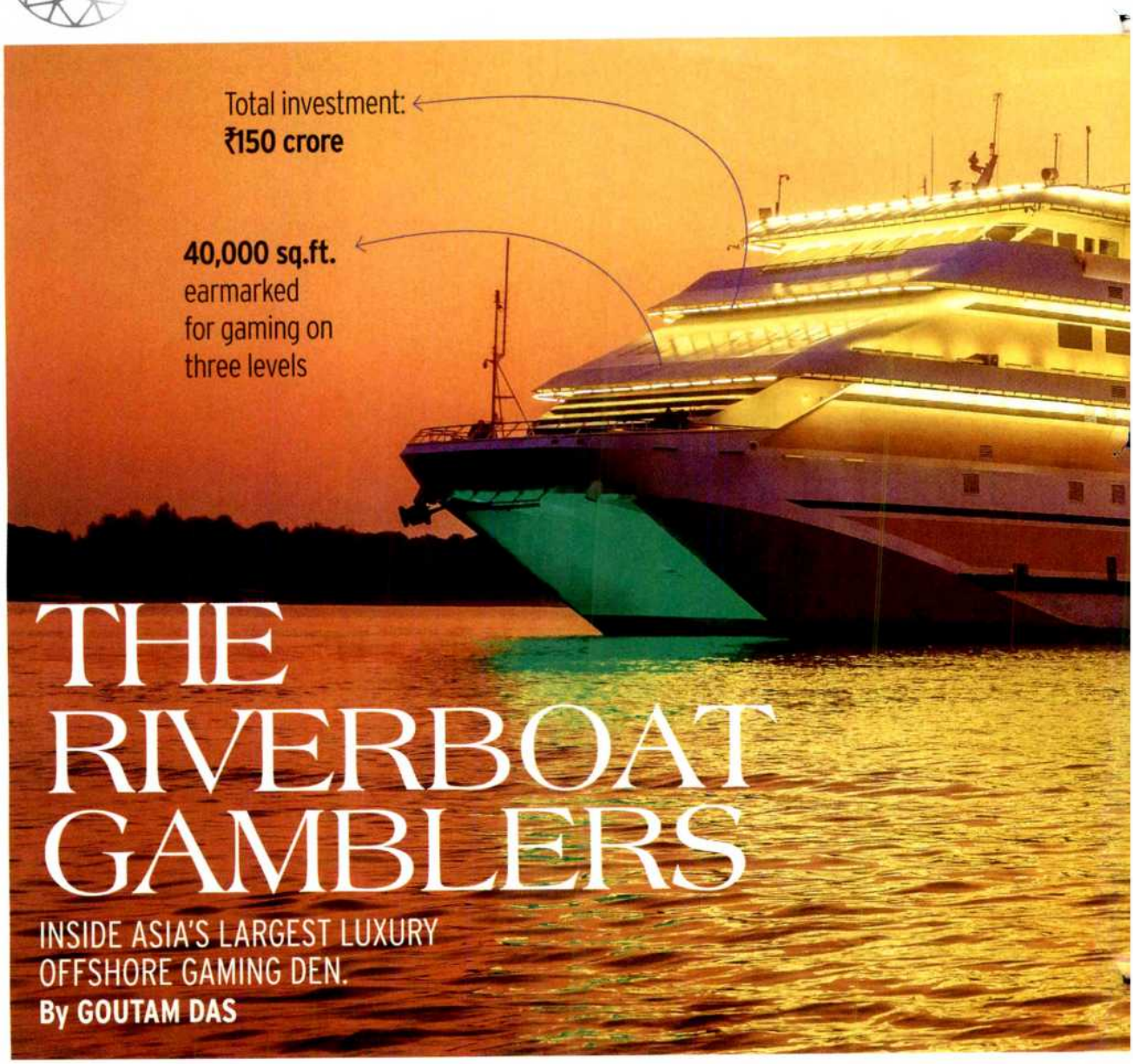



# THE RIVERBOAT GAMBLERS

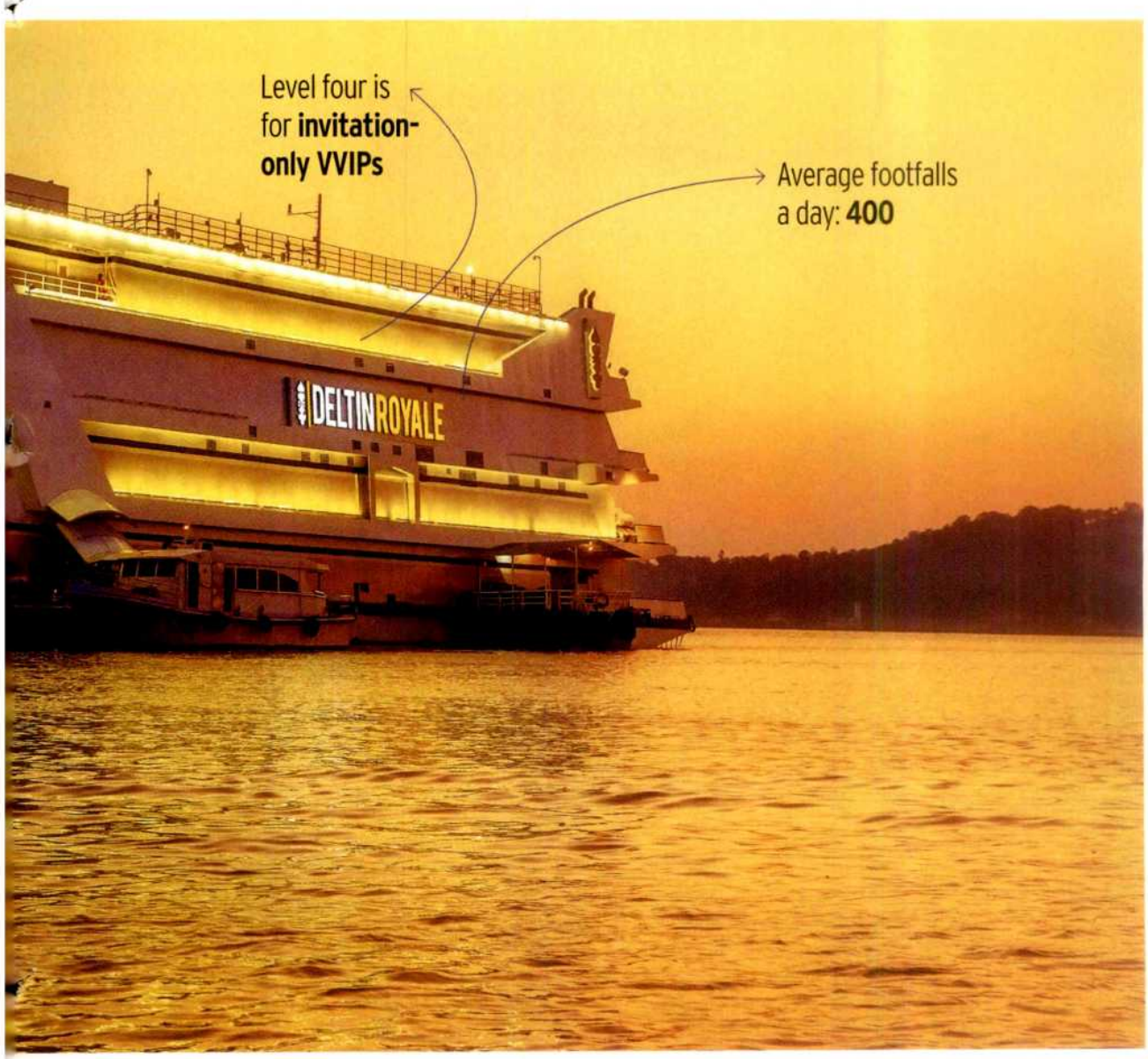
## INSIDE ASIA'S LARGEST LUXURY OFFSHORE GAMING DEN.

**By GOUTAM DAS**

On a muggy morning in Old Goa, the 16th-century Basilica of Bom Jesus, a UNESCO world heritage site that holds the mortal remains of St. Francis Xavier, looked striking against the cloudy sky. This author strolled in and out, lazily, before showing up at the Chapel of St. Catherine and the ornamented Church of St. Francis of Assisi.

The bout of piety was short-lived. As evening unfolded, it was time to take the narrow, serpentine roads to Panaji and further, to the banks of river Mandovi, where pleasures of a different kind awaited. Here, around Dayanand Bandodkar Marg, is an entertainment district – at dusk, four floating casinos light up, including Deltin Royale, Asia's largest luxury offshore gaming den.

A boat from Noah's Ark jetty takes you to this ship, which is 87 metres long




and 22 metres wide. Multi-coloured LED display lights up the bow. Close to 500 tube lights around the vessel give out hints about the glitter inside. Guests can buy different packages and are identified by bands – green, purple, red, white and gold. The gold bands are for VIPs while the white ones are for invitation-only VVIPs. These facilitate access and help employees decide the level of service. A regular package costs ₹2,500 per adult while a VIP badge will set you back by ₹7,500. A 'premium stay and play' package, that offers a two-night stay at Deltin Suites Hotel in Goa for two, costs ₹33,000.

The first-floor arena, a place for low-value bets, is bustling. The rattling of spinning wheels, ball-drops and bounces in Roulettes drowns human chatter at times. Slot machines – the easiest of all casino games in which hitting the jackpot depends on pure luck – are lined up on the sides. The 123 gaming tables, with more than 750 positions, take up most of the space. The casino offers 12 games. These include American Roulette and slot machines. There are also Indian Flush (*Teen Patti*), Baccarat, Blackjack, Poker and Money Wheel. Roulette, however, seems to be the most popular. "It gives an adrenalin rush," says a casino guide, as the dealer begins the game by spinning the ball and players guess the slot it will land

**At Deltin Royale, you can play Poker, Roulette, Indian Flush, Baccarat, Blackjack, Pontoon, Casino Wars, Sic Bo and Money Wheel. There are 123 gaming tables and 30 slot machines**

in. Quite a few are playing Blackjack, a thinking game where players aim to have cards whose numbers add up to 21. Baccarat is a high-stake game in which bets can go up to lakhs. There are exclusive Poker and Flush rooms too. "Poker is a game of skill that is extremely popular in the US. It is gaining popularity with the young in India. Flush is an age-old Indian game that can never fade," says a spokesperson. The place is open 24 hours. As if to stress the point, the promoters have not put up clocks on gaming floors.

The bustle increases around 11 p.m. Some are ordering drinks. A few look at television screens, which show only news and sports channels. Some look dejected. A lady in red shrieks out in joy. She has beaten the house. The rush lasts till three in the morning.

Royale gets around 400 players in a day and earns about ₹15,000 per person. The guests are mostly from Mumbai, Gujarat, Delhi, Hyderabad and Tamil Nadu. Among them are sportsmen, television celebrities, painters, professionals and top corporate executives. "CEOs of largest corporations have visited us. They hold meetings and conferences here," says Anil Malani, President, Operations at Delta Corp, which runs the casino. The day this writer was visiting, founders of a start-up that recently raised huge funds, too, were present. We couldn't ascertain if their investors knew!

The guests get royal treatment. Most are well-travelled. Many may have visited the larger casinos in Macau, such as The Venetian Macau, or those in Singapore. Royale aspires to match up to these top names in the business.

Ambience, art work, furniture, food/drinks menu, they all change with the floor. The amount of bets rises as one climbs up. While entry-level guests are offered Indian-Made Foreign Liquor, VIP guests get imported drinks. But the apogee of luxury is the fourth level. The management calls it the "Belvedere of Gaming". Entry is only by invitation. There are four private gaming suites with butler service. Players can hold meetings, take a nap, or just take it easy in cubicles with recliners. There is a separate kitchen. A corporate chef takes care of the players with options ranging from curated to Jain and diet food. Some demand exotic food – from sushi to lobsters. It's not a problem. It is served.

Vases have orchids and anthuriums with golden and silver dry twigs. The 'blue and gold' theme runs throughout the casino but the luxe level has a totally different

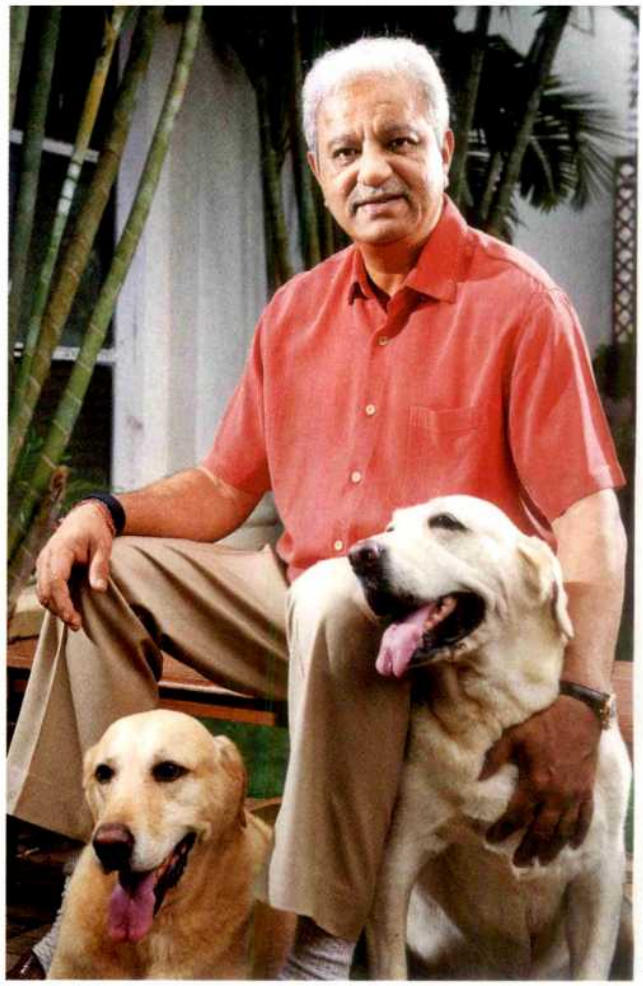
Interview with Jaideep Modi of Delta Corp at businesstoday.in/delta-modi

get-up. There are just 16 tables. The layout is circular compared to the linear arrangement of the first level. With leather chairs, the seating, too, is aristocratic. The tables have marble tops. An executive lounge, called Velvet, is earmarked for closed-door meetings.

The casino-specific art work is the creation of Mumbai-based artist Krsna Mehta. The underlying theme is gaming, casino motifs and Goa. There are horses too. A 11/6 feet painting of two polo players adorns a wall on the fourth level. It is from Delta Corp Chairman Jaydev Mody's personal collection. The look and feel of the casino, in fact, has much to do with Mody's eye for detail. For instance, the fourth level has linen towels in washrooms. "We wanted to use 550 grammes per square metre (GSM) towels. Mody recommended 700," says Malani. GSM is the standard measurement of fabric weight; the higher the GSM of the towel, the better is its quality.

"I am very particular about the colour of carpets and curtains, and design elements. Everything goes through me," Mody tells *Business Today* in his office in Mumbai. He wants to build a casino empire in India.

Deltin Royale started in August 2013, but this is not Mody's only investment. Delta Corp also operates Deltin Jaqk, another offshore casino on the Mandovi river. A third casino in Goa, Deltin Caravela, is awaiting approvals. The company is also preparing for the launch of an onshore gaming operation in the union territory of Daman. Besides gaming, the company runs three hotels



RACHIT GOSWAMI

**JAYDEV MODY**

**The chairman of Delta Corp, which runs Deltin casinos, sees a bright future for gaming in India. The company earned ₹268 crore from gaming in 2014/15**

## DELTA'S CASINO EMPIRE

### 1. Deltin Jaqk

Offshore casino in Goa; 11,000 sq. ft. gaming area, 500 live gaming positions, 47 live gaming tables, 30 slot machines. It also has two suites for high rollers

### 2. Deltin Caravela

An offshore live gaming casino, it is awaiting approvals. It offers 200 gaming positions, 17 live gaming tables and 10 slot machines. It also has a personalised spa and a health club

### 3. The Deltin Daman

Likely to open in two months. It will be an integrated casino resort with 60,000 sq. ft. gaming space and 1,000 to 1,500 gaming positions

– Deltin Suites and Deltin Palms in Goa and The Deltin in Daman. It used to have a real estate business, too, but exited as part of a consolidation strategy. The company had a joint venture with Reliance Industries that developed commercial and residential properties in Kenya. Delta says it has made a "profitable exit".

Talking about the journey, Mody says: "There was only one casino in Goa that was offshore for several years, since around 2000. Prior to that, there were several onshore casinos in five-star hotels." The Goa government then said it would issue up to six licences for offshore casinos. "That was the time I applied. We were the earliest entrants along with Pride, our competitor. Today, we run the best casinos in Goa."

**WHISKYS LOUNGE**
The place, on the second level, serves single malt, scotch, wine and cocktails

**THE LUXURY GAMING FLOOR**
It has a circular layout. It has 16 tables, four private gaming rooms with butler service, and a lounge, Velvet

Only two states in India (Goa and Sikkim), apart from the Union Territory of Daman, allow casinos. And in Goa, only offshore casinos can do live gaming (in which instead of electronic gambling, dealers run the show). Apart from the two set-ups run by Delta Corp, Goa has two more live casinos run by the Pride Group. Mody estimates that the casino market in India is about ₹500 crore a year, but that is just a fraction of the total gambling market, most of which is illegal.

Indians have known gambling for ages. The games, of course, have changed over time. Right now, cricket betting and *matkas* are in currency. Both are illegal. Betting on horses, however, is legal.

"In cricket, they do ₹5,000 crore a game. Every city has *matka*. The total market must be ₹500 crore a day. So, our thing is a drop in the ocean," says Mody, who has a passion for horse racing and owns 70 horses. Mumbai's racing market is worth ₹170 crore, he says. Overall, Indian racing is likely to be worth ₹1,000 crore, he estimates.

The Deltin Royale ship was bought from Caesars Entertainment Corporation, a casino-entertainment company in the United States. Mody retrofitted it to suit Indian preferences. While the chandeliers, around 40, were left untouched, Mody's daughter, Anjali, a designer and a "creative quirkaholic", planned much of the artefacts and furniture on the luxury floor.

"My daughter did a lot of accesorisation to make the ship look more luxurious. My younger daughter, Aditi, also helped me. Both went to *chor bazaar*, bought mirrors from there, and got them redone," says Mody. The US market is mostly about slot machines while Indians prefer table games. That is why Mody ordered tables to be made in Goa. "We bought the housing of the machines but the software was written in India," he says.

Mody has turned 60 but shows no sign of slowing down. His colleagues vouch for his musical prowess. "I used to be a good drummer and singer. Now, I am an old drummer and singer," he says. He prefers Rock and Blues and doesn't like Hindi music on casino floors.

Mody's love for music shows in the way he has planned the set-up. The second floor is the entertainment destination. On one side is Vegas, a multi-cuisine restaurant with a stage for live performances. Bollywood music is okay here, but this is also the place for international dancers to do their acts, such as Moulin Rouge, on Fridays, Saturdays and Sundays.

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On the other side of the second level is Whiskys, a premium lounge with a collection of single malts. The entry is restricted to those who buy a VIP package. The music is dramatically different compared to Vegas. Subtle piano recitals and local bands do the job here. Sitting here, this writer gorged on chicken xacuti and prawn rava fry. The love songs played by Konkani instrumentalist group Emiliano Da Cruz's Trio made the fare even tastier.

The music is the same on all gaming floors. It is set to different tempos. Early mornings, the casino plays peppy

**The software for the gaming machines was written in India**

house music, because players are tired by now.

By this time, some get drunk and misbehave. There are bouncers in every corner for such situations. The tables have multiple cameras, and you are always being watched. A few lose their shirt gambling across casinos in Goa. Hoteliers in the region have interesting stories to tell – a frustrated gambler trying to leap out of the hotel window to escape; someone refusing to pay hotel bills because he went broke; yet another who left his wife and children (some casinos have a creche) behind and came onshore alone. Deltin's handlers insist such occasions are rare. "It is a touristy kind of a population. Nobody comes here for serious gambling. It's more fun," says Mody. ◆

*@Goutam20*

## FIVE LARGEST CASINOS IN THE WORLD

**1** **The Venetian Macau:** The 550,000 sq. ft. casino is owned by Las Vegas Sands. It is the world's largest with over 3,000 gaming machines and 800 tables.

**2** **City of Dreams, Macau:** It is a 420,000 sq. ft. casino with 400 gaming tables and 1,300 gaming machines. It is operated by Melco Crown Entertainment.

**3** **Casino Ponte 16, Macau:** The gaming floor is spread over 2,70,000 sq. ft. it has 109 gaming tables, 300 slot machines and three VIP clubs.

**4** **Foxwoods Resort Casino, Connecticut:** Operated by the Mashantucket Pequot Tribal Nation, Foxwoods has six casinos spread over 340,000 sq. ft. There are 6,200 slot machines and 380 tables.

**5** **Rio South Africa:** Spread over 266,330 sq. ft., the Peermont Group-owned casino has 274 slot machines. An exclusive 'Salon Privé' caters to high-stake gamers.

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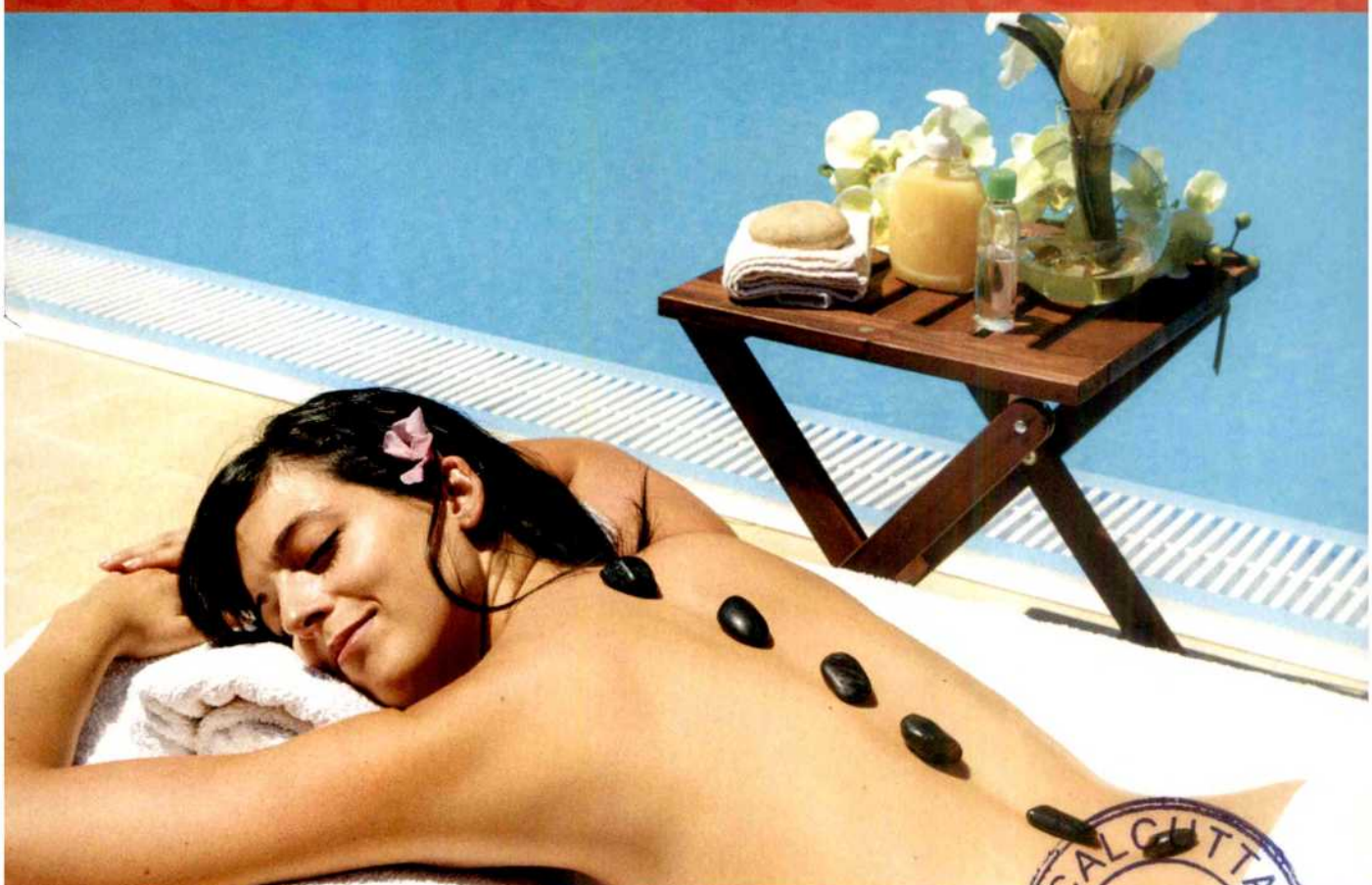

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The Met recently has been conferred with prestigious **Awards - Best City Hotel** (India Travel Awards), **Luxury Green Hotel** (World Luxury Hotel Awards), **Luxury Hotel of the Year** (Luxury Travel Guide)

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# SKY IS THE LIMIT

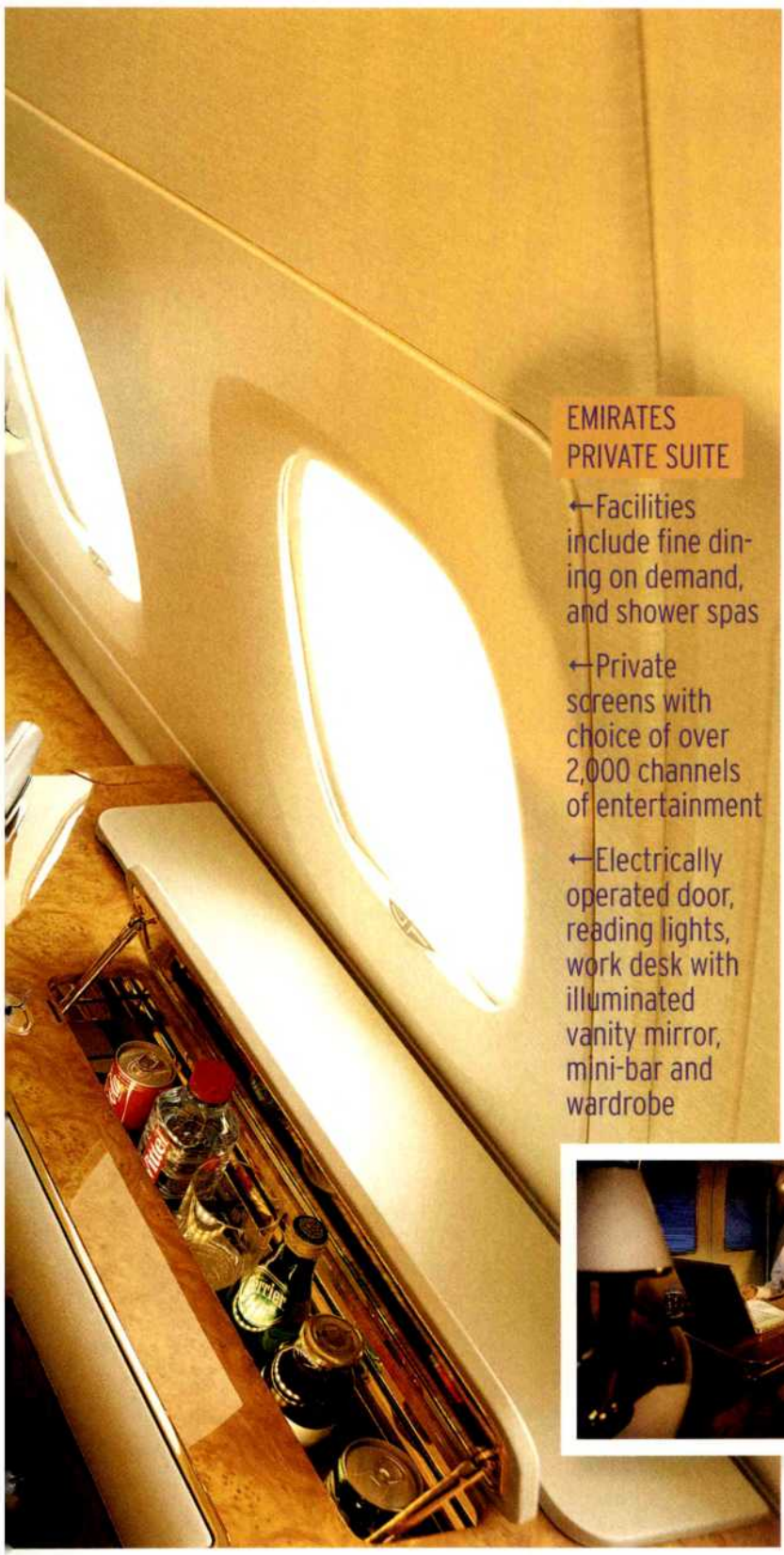
FOR THE SERIOUSLY RICH, "SUITE CLASS" IS THE NEW LUXURY.

**By MANU KAUSHIK**

***I'm in the hi-fidelity first class traveling set***
***And I think I need a Lear Jet***

Not long ago, as these lines from the Pink Floyd 1973 hit song Money underline, a private jet was the epitome of luxurious air travel. (Lear Jet was a well known manufacturer of such jets at the time, and has since been acquired by Bombardier.) Commercial airline seats were cramped, the food served tasteless, the travel experience – especially on long-distance flights – a crashing bore. There was no question of a bed to lie down on during overnight flights, even for the wealthiest. Only private jets allowed them privacy, comfort and some space to move about in.

Economy class travel re-



EMIRATES PRIVATE SUITE

←Facilities include fine dining on demand, and shower spas

←Private screens with choice of over 2,000 channels of entertainment

←Electrically operated door, reading lights, work desk with illuminated vanity mirror, mini-bar and wardrobe

THE RESIDENCE BY ETIHAD

←Living room, including two-seater reclining sofa, in-seat massage, and mini-bar

←Bedroom, including wide double bed, TV monitor with dual noise-cancelling headsets and full-length wardrobe

←Personal toilet, personal butler, and luxury limousine transfers

mains much the same more than four decades later (if anything, it has become more crowded), but for high net worth individuals it is a different story. In the last few years a number of airlines have raised traveling comfort to amazing levels, way beyond the few extra amenities Business Class traditionally provided. Hiring or owning a private jet is no longer the only option for the well heeled. "Over the years, airlines have become much more than just a mode of transport" says Essa Sulaiman Ahmad, Vice President (India & Nepal), Emirates Airline. "Healthy competition in this sector has led to some great innovations, bringing elements of private jet travel into commercial aviation."

Though mind bogglingly expensive compared to an economy seat on the same flight, the ultra luxurious category can be either cheaper or expensive than chartering a private jet. An Etihad Airways return flight from Delhi to London, for instance, traveling by its much talked of The Residence would cost about ₹29.16 lakh per passenger. For a group of eight, the bill would amount to ₹2.33 crore, while that for hiring an eight-seat jet for the same trip would be ₹59.27 lakh, or about one-fifth. (No doubt, an economy class ticket on the same Emirates flight would cost ₹22,000 to ₹46,000.) Private jets still offer immense flexibility, enabling the user to take off and land at will, but on all other counts, high-end airline seats more than match them.

It was in fact Emirates which brought about a paradigm shift in luxury air travel, starting its First Class Suite in 2003 on ultra-long haul flights out of Dubai, aboard its Airbus A340-500s and its Boeing 777s to New York in the west and Sydney in the east. For the first time an airline offered the privacy of a small room with electrically operated doors and a comfortable seat which turned into a full length bed at the press of a button. Today, these suites – 14 of them on each aircraft – are available on all Emirates flights to Australia and the Americas, as well as most of those to Europe and the East, including Mumbai and Kolkata. Indeed, Emirates is the only airline so far to provide this category on its Kolkata flights.

In 2007 Singapore Airlines initiated another crucial upgrade by providing full length beds, as distinct from convertible seats, inside the 'Suites Class' rooms it created on Airbus A380 flights from Singapore to Sydney. Since then, all its 19 A380s have been configured with a Suites Class section and fly numerous routes, including Singapore-Delhi and Singapore-Mumbai. "We started

Airbus A380 commercial services to India in May 2014," says David Lau, Manager (India), Singapore Airlines. "We have received overwhelming response from Indian passengers for our Suites Class category."

A host of international carriers – Air France, Qantas, Virgin Atlantic, and more – have since followed suit. Air France, for instance, started its La Premiere class in 2014, providing four private suites on its Boeing 777 flights between Paris and Dubai, Jakarta, New York and Singapore. Offering perhaps the highest degree of comfort and convenience, however, is Emirates' key rival Etihad Airways, which started a category called 'The Residence' on its Airbus A380 flights in 2014. The Residence provides a complete suite – living room, bedroom with double bed and en suite bathroom – along with a dedicated flight attendant, called a butler, trained at the Savoy Butler Academy in London.

Airline luxury products are compact no doubt – even Etihad's Residence suite takes up a mere 125 square feet – but they are crammed with luxury and conveniences. The Residence living room has a Poltrona Frau leather two-seater sofa with ottoman, two dining tables, a chilled drinks cabinet and a 32-inch flat screen TV. The bedroom is furnished with delicate fabric, its double bed sporting natural fibre mattresses covered by Egyptian cotton sheets. The Emirates private suite includes a mini-bar, wardrobe and work station, which with its built-in, illuminated mirror, can also double as a dressing table. The seat has an electrically-operated leg rest, headrest, armrests and a multi-mode massage system with adjustable speed and intensity.

The meals too are a far cry from what cattle class gets. At Air France, the menu has been chosen and prepared by Michelin starred chefs and includes caviar and foie gras. Champagne flows freely. At Singapore Airlines, passengers can have any dishes they would like to have on board provided they inform the airline what they want 24 hours in advance. The wines and spirits that com-

**SINGAPORE AIRLINES' SUITES**

↑ The cabin features sliding doors and window blinds

↑ Book the cook allows fliers to preorder gourmet main course

↑ Champagne, Grand Cru red burgundy and Second Growth Bordeaux are served

plement the meals have been chosen by a panel of experts. Emirates makes it a point to offer a variety of regional Indian cuisine. For luxury travelers, most airlines have no fixed meal times or mass serving – they can summon a flight attendant to get them food whenever they want, as often as they like.

Some airlines provide chauffeured luxury cars passengers can use to reach or leave the airport; some have private check in and lounges for them before they board. On the flight, some provide an exclusive lobby and some have shower spas. WiFi and a variety of entertainment channels are a given everywhere. Emirates has a choice of 2,000 channels, including several Indian ones. Singapore Airlines provides background noise cancelling headphones.

Airlines, however, were markedly reluctant to provide details of occupancy in their ultra luxury products, the cost of creating their customized interiors and the other appurtenances of luxury, or the return on them. But given the crowded global aviation market, the return could be more than financial. "Such products help airlines create a positive image, which has a rub-off effect on the other segments of the airline," says Neelesh Hundekari, Partner at consultancy AT Kearney. "Also, some could successfully upgrade their business class customers to these high-end levels."

**AIR FRANCE'S LA PREMIERE**

↑Each suite designed with leather, woven fabrics and suede.

↑A large fully-flat bed; a sleek console with integrated storage compartments; large table and an ottoman for inviting a guest during the trip.

Though hard data is unavailable, there is anecdotal evidence to suggest that Indians have not lagged behind in using these luxury offerings. "As a regular traveler on the Delhi-Singapore route, I find the (Singapore Airlines) suites have an ample number of takers from India," says Ankur Bhatia, Executive Director, Bird Group and Director, Amadeus India. "This is especially the case with people traveling on to Australia." If the same cannot be said of Etihad's Residence, it could well be due to the difficulties Indians face in getting aboard. "Etihad's apartments are a great product but Indians have to first travel to Abu Dhabi to catch it," adds Bhatia. "It's not the full experience from here. The Emirates' suites may not be as opulent but one can use that product from India itself."

The Indian attraction for luxury flying is hardly surprising. Despite the downturn, the number of ultra high net worth households in India has risen at a compound annual rate of 20 per cent in the past five years to reach 137,100 in 201415, according to a Kotak Wealth Management report, Gliding on Optimism, released earlier this year. Even the private jet market in India has been growing in size and popularity. ◆

*With inputs from Chitra Narayanan*

*@manukaushik*

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पी एफ सी PFC

## Part I : STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30TH JUNE 2015

(₹ in Lacs)

| Sl. No. | PARTICULARS | QUARTER ENDED | | | YEAR ENDED |
|---|---|---|---|---|---|
| | | 30.06.2015 (Un-audited) | 31.03.2015 (Un-audited) | 30.06.2014 (Un-audited) | 31.03.2015 (Audited) |
| 1) | Income from Operations | | | | |
| | (a) Interest Income | 670,932 | 633,118 | 581,676 | 2,458,610 |
| | (b) Other Operating Income | 4,597 | 5,839 | 3,951 | 27,522 |
| | Total Income from Operations | 675,529 | 638,957 | 585,627 | 2,486,132 |
| 2) | Expenses | | | | |
| | (a) Interest, Finance and Other Charges | 428,483 | 419,372 | 380,348 | 1,631,355 |
| | (b) Employee Benefit Expenses | 2,303 | 1,942 | 2,153 | 8,581 |
| | (c) Depreciation / Amortization | 130 | 160 | 147 | 609 |
| | (d) Other Expenses | 15,661 | 691 | 3,127 | 12,312 |
| | Total Expenses | 446,577 | 422,165 | 385,775 | 1,652,857 |
| 3) | Profit from Operations before Other Income and Exceptional Items (1-2) | 228,952 | 216,792 | 199,852 | 833,275 |
| 4) | Other Income | 377 | 3,192 | 551 | 4,548 |
| 5) | Profit from ordinary activities before Exceptional Items (3+4) | 229,329 | 219,984 | 200,403 | 837,823 |
| 6) | Exceptional items | -- | -- | -- | -- |
| 7) | Profit from Ordinary Activities before Tax (5+6) | 229,329 | 219,984 | 200,403 | 837,823 |
| 8) | Tax Expense | 71,708 | 63,908 | 55,577 | 241,890 |
| | (a) Provision for Income Tax | 69,277 | 68,509 | 58,523 | 250,288 |
| | (b) Deferred Tax Liability / (Deferred Tax Asset) | 2,431 | (4,601) | (2,946) | (8,398) |
| 9) | Net Profit from Ordinary activities after tax (7-8) | 157,621 | 156,076 | 144,826 | 595,933 |
| 10) | Extraordinary items (Net of tax expense) | -- | -- | -- | -- |
| 11) | Net Profit for the period (9-10) | 157,621 | 156,076 | 144,826 | 595,933 |
| 12) | Share of Profit / (loss) of associates. | -- | -- | -- | -- |
| 13) | Minority Interest | -- | -- | -- | -- |
| 14) | Net Profit after taxes, minority interest and share of profit / (loss) of associates (11+12+13) | 157,621 | 156,076 | 144,826 | 595,933 |
| 15) | Paid-up Equity Share Capital (Face value of share is ₹ 10) | 132,004 | 132,004 | 132,004 | 132,004 |
| 16) | "Reserves excluding Revaluation reserves(As per audited balance Sheet as at 31st March)" | -- | -- | -- | 3,089,917 |
| 17) | Earnings Per Share (EPS) (in ₹) | | | | |
| | (a) Basic and Diluted EPS (before Extraordinary items) | 11.94 | 11.83 | 10.97 | 45.15 |
| | (b) Basic and Diluted EPS (after Extraordinary items) | 11.94 | 11.83 | 10.97 | 45.15 |

Sanction up 95%

Net Interest Income up 22%

Loan Assets up 13%

## Part II : SELECT INFORMATION FOR THE QUARTER ENDED 30TH JUNE 2015

| A | Particulars of Shareholding | | | | |
|---|---|---|---|---|---|
| 1 | Public Shareholding : | | | | |
| | Number of Shares | 359,114,303 | 359,085,115 | 359,085,115 | 359,085,115 |
| | Percentage of Shareholding | 27.205% | 27.203% | 27.203% | 27.203% |
| 2 | Promoters and Promoter Group Shareholding | | | | |
| | (a) Pledged / Encumbered | | | | |
| | Number of Shares | -- | -- | -- | -- |
| | Percentage of Shares (as a % of the total shareholding of Promoter) | -- | -- | -- | -- |
| | Percentage of Shares (as a % of Total Share capital of the Company) | -- | -- | -- | -- |
| | (b) Non - Encumbered | | | | |
| | Number of Shares | 960,926,401 | 960,955,589 | 960,955,589 | 960,955,589 |
| | Percentage of Shares (as a % of the total shareholding of Promoter) | 100% | 100% | 100% | 100% |
| | Percentage of Shares (as a % of Total Share capital of the Company) | 72.795% | 72.797% | 72.797% | 72.797% |

| B | Investor Complaints | | |
|---|---|---|---|
| | Particulars | Equity Shares | Debt Securities |
| | Pending at the beginning of the quarter | 1 | 5 |
| | Received during the quarter | 86 | 742 |
| | Disposed off during the quarter | 86 | 742 |
| | Remaining unresolved at the end of the quarter | 1* | 5# |
| | | *Pending | #Since Settled |

es :

The above financial results for the quarter ended 30.06.2015 have been reviewed and recommended by the Audit committee of Directors and approved by the Board of Directors in their respective meetings held on 13.08.2015 and 14.08.2015 respectively. The same has been limited reviewed by the Statutory Auditors of the Company.

Interest Finance and Other charges at 2(a) of Part I above, includes provisions made during the quarter ended 30.06.2015 on account of (i) NPA - ₹4,049 Lac (corresponding previous quarter ₹11,613 Lac), (ii) Standard Assets ₹644 Lac (corresponding previous quarter ₹1,248 Lac) and (iii) Restructured Standard Assets ₹20,134 Lac (corresponding previous quarter ₹ Nil)

The Company being a Government owned Non-Banking Financial Company is exempt from the RBI directions relating to Prudential Norms. RBI has directed the Company, vide its letter dated 25.07.2013, to take steps to comply with RBI's Prudential Norms by 31.03.2016. Further, RBI vide its letter dated 03.04.2014 has allowed exemption from credit concentration norms in respect of exposure to Central / State Government entities till 31.03.2016.

The Company follows its own prudential norms approved by the Ministry of Power (MoP), Govt.of India (GoI) (including revisions approved by BoD in its meeting held on 09.03.2015 subject to the approval of MoP which is awaited) which inter-alia includes norms for Restructuring / Reschedulement / Renegotiation (R/R/R) of loans which allows (i) two times restructuring before COD, (ii) exemption to the loans having central/state government guarantee and loans to government department, and (iii) dispensation not to consider extension of repayment schedule without sacrifice as restructuring for government sector borrowers.

For R/R/R norms, RBI has advised the Company to follow the instructions contained in RBI circular DNBS.CO.PD.No. 367/03.10.01/2013-14 dated 23.01.2014, vide its letter dated 03.04.2014 inter-alia allowing maximum period of delay in DCCO for which a loan can be restructured. The matter regarding applicability of RBI's R/R/R norms was taken up with RBI. In this regard, RBI vide its letter dated 11.06.2014 has allowed exemption from application of its restructuring norms for Transmission & Distribution, Renovation & Modernization and Life Extension projects and also the hydro projects in Himalayan region or affected by natural disasters for a period of 3 years i.e. till 31.03.2017. Further, for new project loans to generating companies restructured w.e.f. 01.04.2015, the provisioning requirement would be 5% and for stock of such outstanding loans as on 31.03.2015 to all generating companies, the provisioning shall commence with a provision of 2.75% with effect from 31.03.2015 and reaching 5% by 31.03.2018. This provision is in addition to the provision for diminution in fair value.

The Company vide its letter dated 03.07.2014 has communicated the manner of its implementation to RBI, further reiterated vide Company's letter dated 27.11.2014, inter-alia stating that all new project loans sanctioned with effect from 01.04.2015 to generating companies would be regulated by RBI norms on R/R/R. RBI vide its letter dated 04.02.2015 has informed that the Company's request is under examination.

Pending decision by RBI regarding implementation of R/R/R norms, the Company is following its own norms read with the manner of implementation as stated above.

During FY 2015-16, the Company is required to enhance provision on qualifying R/R/R loan assets from 2.75% to 3.50% and the aforesaid additional provision @ 0.75% has been made during the current quarter itself. Accordingly, during the quarter provision of ₹20,134 Lac (corresponding previous quarter ₹Nil) has been made on qualifying R/R/R loans (private sector - ₹21,87,918 Lac and Govt. Sector loan - Nil).

4 RBI vide letter dated 30.06.2015, received on 03.07.2015, has advised the Company that all loans including the outstanding stock of loans under consortium shall be governed by the asset classification norms as prescribed in Circular DNBR (PD) CC No. 002/03.10.001/2014-15 dated 10.11.2014. RBI has also informed that the asset classification norms that would be applicable to new loans under consortium shall be communicated shortly. Accordingly, the Company has amended its prudential norms w.e.f. 03.07.2015 so that the loan assets (excluding lease assets) outstanding as on 31.03.2016 and overdue for a period of 5 months or more will be classified as non-performing assets (NPA). The Company has communicated the manner of implementation of asset classification norms to RBI vide letter dated 13.08.2015.

5 In case of a restructured loan asset, categorized as sub-standard by the Company on 15.04.2015, the borrower has obtained an ad-interim stay on further proceedings till 05.08.2015 from Hon'ble High Court of Madras vide order dated 17.06.2015. The next hearing is scheduled to be held on 19.08.2015 and the stay stands extended accordingly. The Company had sought a legal opinion with respect to asset classification, based on which, the loan asset has been re-classified from restructured sub-standard to restructured standard asset and the NPA provision amounting to ₹33,999 Lac made in the account during the quarter has been reversed.

6 CSR provision for FY 2015-16 has been made during the quarter ended 30.06.2015 whereas in earlier years it was created on proportionate basis in each quarter. Accordingly, during the quarter ended 30.06.2015 CSR provision amounting to ₹14,579 lac (corresponding previous quarter ₹2,144 lac) has been made @ 2% of the average net profit before tax of the Company earned during the three immediately preceding financial years.

7 During the current quarter, two subsidiaries namely Deoghar Infra Limited and Bihar Infrapower Limited have been incorporated for developing the Ultra Mega Power Project in the state of Jharkhand and Bihar respectively. Equity infusion in the above subsidiaries is yet to be made.

8 During the quarter, Company has applied for 2,50,00,000 equity shares of Energy Efficiency Services Limited (EESL) (a joint venture company) of face value ₹10/- per share aggregating to ₹2,500 Lac. Allotment of shares is under process.

9 During the quarter, Government of India, Ministry of Power, acting through Department of Disinvestment has disinvested 29,188 equity shares of face value of ₹10/- each by selling it to Goldman Sachs Asset Management (India) Private Limited.

10 On 27th July 2015, President of India, acting through and represented by Ministry of Power, Government of India has sold 66,02,035 equity shares of face value of ₹10/- each representing 5% of the total paid up equity share capital of the Company, out of its shareholding of 72.80%, through "Offer for Sale" of shares by Promoters through the Stock Exchange mechanism. Post sale of shares, promoter shareholding stands at 67.80 % of the total paid up share capital of the Company.

11 The Company had exercised the option under para 46A of the AS-11 - 'The Effects of Changes in Foreign Exchange Rates', to amortize the exchange differences on the long term foreign currency monetary items over their tenure. Consequently, as on 30.06.2015 the unamortised debit balance under Foreign Currency Monetary Item Translation Difference Account (FCMITDA) is ₹45,524 Lac (as on 31.03.2015 ₹38,056 lac).

12 The Company's main business is to provide finance for power sector. As such, there is no other separate reportable segment as per the Accounting Standard 17-'Segment Reporting', issued by the Institute of Chartered Accountants of India.

13 Tax Expenses includes current year tax provision and earlier years' tax expenses / adjustments.

14 Figures for the previous period have been regrouped/rearranged wherever necessary, in order to make them comparable.

Sd/-
(M.K. GOEL)
Chairman & Managing Director
DIN - 00239813

e : New Delhi
: 14.08.2015

VIVAN MEHRA

*Arjun Sharma*
*Chairman of Select Group and Le Passage to India*

# WHERE THE A-LISTERS ARE HOLIDAYING

## From taking a deep dive into underwater tourism to going for magical pop ups, the holiday experience of the luxe set is treading off the beaten path

Gone are the holidays where high net-worth individuals (HNIs) wanted it all on a silver platter. Well, they might still want a few things, but when it comes to holidaying, they want to go independent. From taking road trips to keeping it traditional (that means without a truckload of gadgets and technology), here are the hottest trends in luxurious travel:

### Staying at a private beach or a pool villa

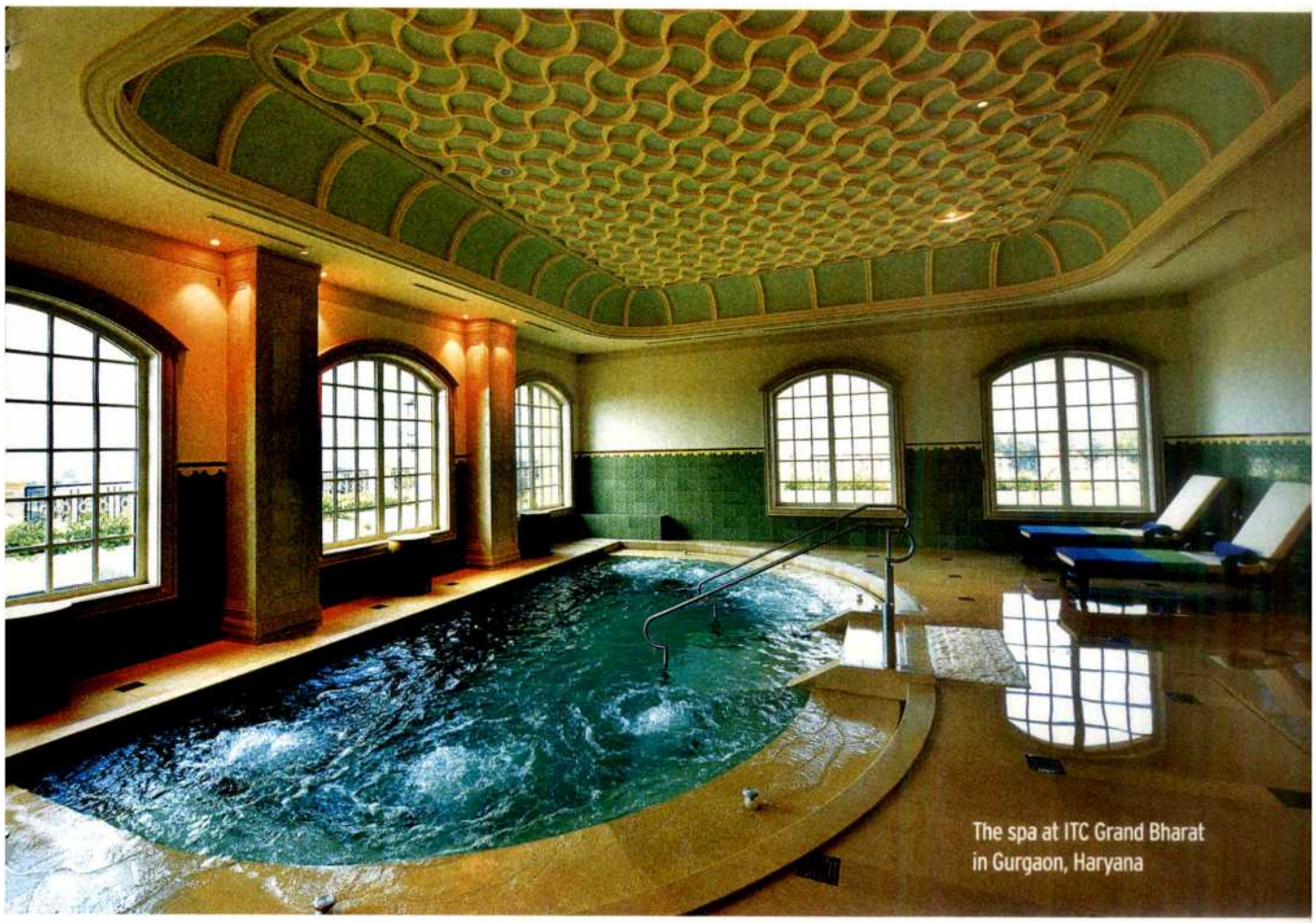
HNI travellers in India seek unique experiences every now and then. They prefer suites with access to private beaches or pools. There are many such high-end properties in Goa – Leela Hotels, for instance – which have a private beach. Bali offers luxurious villas such as Amori, Ayana etc., which have private pool access. Domestically, Oberoi Udaivilas offers luxury suite with a private pool.

### Rejuvenation tours

The focus is on hikes, walks, organic food, spirituality, meditation, yoga and natural therapy. Special rejuvenation programmes at most places include body purification, slimming, and stress management. They're also looking at beauty care programmes such as special rejuvenation massages, fruit or herbal oil massages and medicated steam baths are also available. Ananda and The Glasshouse on the Ganges are quite popular in this category.

### Event-based vacations

Avid sports, and art and culture lovers plan their vacations based on an event of their choice. The 2014



The spa at ITC Grand Bharat in Gurgaon, Haryana

SHEKHAR GHOSH

FIFA World Cup was a big draw for Indians travelling to Brazil to attend the event. The 2015 cricket World Cup in Australia and New Zealand was another big example which saw Indians travelling for the matches.

## Outdoor activity oriented

Another trend picking up is growth of experiential outbound vacations. Recent Bollywood movies have opened the gates for adventure activities such as scuba (in Andaman, Mauritius, etc.), skydiving (NZ, South Africa, Spain, Dubai), self drive (NZ, the latest trends show self-drive itineraries are becoming popular in Thailand and Europe), and safari (Kenya and SA).

## Exotic accommodation

Lately, HNIs prefer exotic holidays in castles, palaces and villas. These holidays are designed to indulge in flamboyance suited for royalty and infused with a mix of modern facilities. Closer to home, the preferred options are Lake Palace Hotel, Taj Umaid Bhawan, Lalit Laxmi Vilas in Udaipur. In Europe, there is the Ashford Castle in Ireland, and the Amberley Castle in England. Relais & Châteaux properties, globally known for its impeccable service, are also becoming popular.

## Cruise vacations

Cruise vacations on both oceans and rivers have seen large upswings in popularity in recent years. River cruises, in particular, tend to be more expensive and exclusive. The five-star cruise fleet is now setting its sails for new destinations in the Far East with river cruises in Burma, Cambodia, Laos and Vietnam on offer. To name a few in Europe, we have the ones offered by AmaWaterways and Avalon Waterways.

The pool at Villa Bianca in Chianti in Tuscany, Italy

The Oberoi Group offers cruises in Kerala, Egypt to name a few.

## Magical pop-up experiences

The here today, gone tomorrow pop-up phenomenon that started with stores and restaurants, has now spread to include both hotels and retreats. As a result of this pursuit for magical moments, the pop-up phenomenon attracts an increasing number of wealthy travellers. It is not sufficient to dine at the best restaurants in the towns one visits. High-end travellers want to experience something unique and are chasing pop-up restaurants and hotels. Pop-ups' advantages? It is highly unlikely that anyone in their social circle has experienced it. Rooms can, for example, be reserved at yoga ashram retreats popping up in Italy, Mexico and Bali for just two months. In England, The Pop-Up Hotel and Snoozebox are entirely devoted to the pop-up hotel concept. The Pop-Up Hotel, for example, offer "glamping" or glamorous camping with some of the services and amenities expected at a boutique hotel, at festivals and events held across the UK.

The here today, gone tomorrow pop-up phenomenon that started with stores and restaurants, has now spread to include both hotels and retreats

## Luxury yacht charters

From the olive infused shores of the Mediterranean to the eerie emerald skies of the Northern Lights, luxury yacht charters can show you another side to the world. Imagine setting sail into a hazy horizon enveloped in complete serenity and sheer luxury. Spend mornings sipping champagne on the sun deck and afternoons stepping ashore to explore the blaze of worldly port cities. The beautiful Baltis,

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Inside the Poseidon Undersea Resorts in Fiji

show stopping Alaska and the warmth of the Mediterranean are still making waves when it comes to divine destinations to explore on a luxury yacht charter.

## Simple pleasures

Savvy travellers know that a truly luxurious holiday experience is not defined by status symbols but by attaining a genuine sense of mental, physical and emotional well-being. An increasing number of resorts are responding to this with an array of facilities, from holistic spa rituals to bespoke library collections that allow guests to unwind by appreciating those important little things in life. Providing a special place to spend special time with loved ones is also being recognised as a new luxury. Many hotels have expanded their complimentary activity programmes, along with offering a greater variety of dining and accommodation choices to ensure families can relish their time together in unrivalled comfort.

The most prominent development plans for underwater hotels include the Hydropolis Underwater Hotel in Dubai and the Poseidon Undersea Resorts in Fiji

## Underwater tourism

The recent emergence of those fascinating aquarium-like hotels are sure to make a splash! Underwater hotel concept has fascinated people for some time, with research indicating tremendous interest towards such hotels. Given this strong demand and upside potential, there have been several attempts on a global scale to develop underwater hotels, the latest being the Water Discus Underwater Hotel in Dubai. The most prominent development plans for underwater hotels include the Hydropolis Underwater Hotel in Dubai and the Poseidon Undersea Resorts in Fiji. The beauty of the concept is that it offers maximum flexibility with facilities, which can be adapted to each location. This is achieved with the option to add or remove sci-fi style satellite discs functioning as modules, which can feature food and beverage outlets, recreational facilities, conference rooms and other facilities. ◆

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# CONTEMPORARY STYLES FOR MEN

## Men's fashion is becoming more and more a hybrid, a natural blend of tailored clothing and leisurewear

For a long time fashion and trends were associated with womenswear. But menswear has also undergone a series of transformations over the years. The contemporary man is cosmopolitan, aware, conscious of the changing canons of beauty; his style is inevitably influenced by constant cultural exchanges.

Having been tainted for years by opulence and ostentation, menswear is now witnessing a real return to the roots of elegance, which for Italian tailoring is synonymous with harmony, attention to detail and the finest quality. We are seeing a genuine return to the classic, but this time it has been reworked and adapted to reflect the canons of modern style.

Contemporary men are conscious of aesthetics but they also demand comfort. The keyword here is "Contamination" or "Fusion": men's fashion is becoming more and more a hybrid, a natural blend of tailored clothing and leisurewear.

All this reflects an extraordinary emphasis on individuality: being unique is, in fact, the central tenet of contemporary style. Modern men give free rein to their creativity, and it is now acceptable for them to wear a tailored blue blazer with jeans for business too. Accessories are becoming increasingly important, with colour and patterns helping to make them stand out.

Contemporary style for men is, therefore, a series of rules on the art of dressing well and a constant striving for perfection, although the art lies in giving the impression that one is not trying at all. It is a subtle taste for insouciance, a natural leaning towards elegance shaped by touches of nonchalance and deliberate imperfections. It tends to create an alluring aesthetic image without revealing the multitude of

**Global fashion hub:** A view of the Galleria Vittorio Emanuele shopping mall in Milan, Italy

actions which go into making it. Far from strict, defeatist understatement, it is all about moderation – that is, harmony and grace. What emerges is an independent personality, rooted firmly in the rules of elegant style to enable the decisive step along the changing path towards freedom.

The savvy contemporary man turns elegance into an authentic philosophy for life. He loves everything about traditional Italian tailoring, and the values like harmony, attention to detail and real quality which have made Italian fashion the undisputed protagonist around the world.

In our collections, the fusion of tailored clothing and leisurewear is mirrored on one hand in the increasing popularity of made-to-measure, and on the other in the constant search for luxury casual garments which still echo the canons of sartorial elegance and are made with the same attention to detail and inherent quality.

By choosing made-to-measure – an evolution of ready-to-wear – modern men express themselves to the highest degree, creating something exceptional which underlines their personality and uniqueness. Here, the traditional rules for gentlemen are still the most modern. In our terribly uncertain world, it is the concept of elegance which remains unchanged, that is, the ability to be at one with a setting rather than a white elephant. The main emphasis is on fine fabrics which combine nanotechnology with lightness to guarantee the best possible performance over time. Patterns, piping and unusual details are an easy choice when it comes to expressing one's individual style.

Cuts are still slimmer, although comfort is guaranteed; single and double-breasted jackets have ever-softer structures. When it comes to trousers, there is

## BRITISH TAILORING OR ITALIAN STYLE?

Who makes the better suits? The traditional English tailoring houses from **Savile Row** like Gieves & Hawkes, Hardy Amies and Huntsman & Son? Or the great Italian fashion houses like Brioni, Canali, Armani, Zegna or even Gucci? You could start a war by getting supporters of the two sides arguing over the relative superiority of British tailoring vs Italian style or vice versa. The truth is that both countries are known for superlative tailoring and great suits, and the choice finally boils down to individual preference. Also, over time, the differences between the two traditions of suiting have come down sharply as both sides have adopted innovations and best practices of their rivals.

CHRISTOPHER SIMON SYKES

A Savile Row tailoring shop

In general, Italian suits are cut and worn far more closely to the body than traditional British suits, which were well-fitting but had relatively more comfortable fittings. Also, most Italian fashion houses believed in signature styles while the British tailors were more inclined to bespoke suiting where the customer decided on everything. In the old days, Italian suits looked much better on slim people while bulky middle-aged gentlemen found many of their body flaws were hidden by tailoring from Savile Row. Supporters of Italian cuts and fashion houses say they have more flair and style while Savile Row supporters say no one tailors suits fitting the body better than the craftsman from this 300-meter street.

Of late, the Italian fashion houses have seen their clientele grow, while that of Savile Row shrinks. One reason for that is it costs the earth to get a bespoke suit done at Savile Row, and it could take a lot of time as well. A typical Savile Row bespoke suit could set you back by £3,000 and take over 50 hours and numerous fittings before you get it in your hand, though a made-to-measure suit - produced to your size from an adjusted block pattern - could be much cheaper. Italian suits can be as expensive but they are perceived to be more in tune with current trends and fashion unlike many traditional British tailors who strongly recommend traditional styles.

one overlying rule: they should never be too long and barely touch one's shoes. The main thing is the cut: it must be impeccable and flatter the figure. This is one of the foundation stones of Italian tailoring; behind every cut and every choice there is a reason, an emotion, a specific purpose.

Even informal garments – including sportswear collections too – now require the same standards of quality and, in many cases, fine, sartorial fabrics. Painstaking attention goes into selecting the materials. This Autumn/Winter, for example, our leisurewear collections include surprisingly noble fabrics. There are 3D effect knotted wools and fine wools with leather details. The aim is to boost the number of solutions which reflect the identity of the new man, as multifaceted and sophisticated as the world around him.

In keeping with the trend of mixing different styles, for Autumn/Winter 15 we will be launching limited editions and new twists on the iconic Identity Jacket, which is celebrating its 10th anniversary. The historic jacket and chest piece – the epitome of the finest Italian tailoring combined with the modern man's need for practicality and function – is an example of elegance which blurs the boundaries between tailored clothing and sportswear with sophisticated, versatile style. ◆

## FAB FABRIC

Guess which is the rarest and most expensive fabric in the world? It's the super costly **Vicuña,** which comes from a llama-like animal from Peru with orange fur and white patches. A coat made from Vicuña can cost upward of **$20,000;** a scarf will cost around **$4,000.** It looks like very fine wool, but feels like a luxurious blend of silk and other fine hairs. Talk of trendy threads.

## WOOLLY BLENDS

Luxe fabrics are often blends of several wools, including Cashmere and Pashmina. One of the most expensive blends - and a technologically advanced fabric - is the quixotically named **Guanashina,** produced by French cloth maker Dormeuil. The name is a combination of the rare wools used in the blend: Guanaco (Guan), baby Cashmere (ash) and kid Pashmina (ina), with a bit of Super 200 wool thrown in. Suits in Guanashina start at **$15,000** or more. Powerful suits, indeed!

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VIVAN MEHRA

*Kiran Nadar*
*Chairperson, Kiran Nadar Museum of Art*

# INDULGE IN THE FINE ART OF COLLECTIBLES

## It is not prudent to look at art as an investment. Develop an eye to identify those that are most aesthetically pleasing before buying one

For those who are at the starting point of their collecting journey, I would say, don't look at buying art as an investment. Instead, get a first-hand knowledge of art and see how your eyes respond to a work before making the decision to buy.

I started collecting art at the end of the 1980s, early 1990s when I was building my home. I began meandering through the art world, learning about artists and their works. While I did not have an art background, I had a reasonably discerning eye.

My journey into the art world began to shape and define me as a person. In the beginning I focused only on known artists. The first artist whose work I picked up was [M.F.] Husain. Soon after I picked up the works of Rameshwar Broota and Manjit Bawa. Although Broota and Bawa were well known, they were not necessarily the doyens of Indian art. They were just the choices I made, ensuring that the art I was collecting was reflecting of my personal taste and personality.

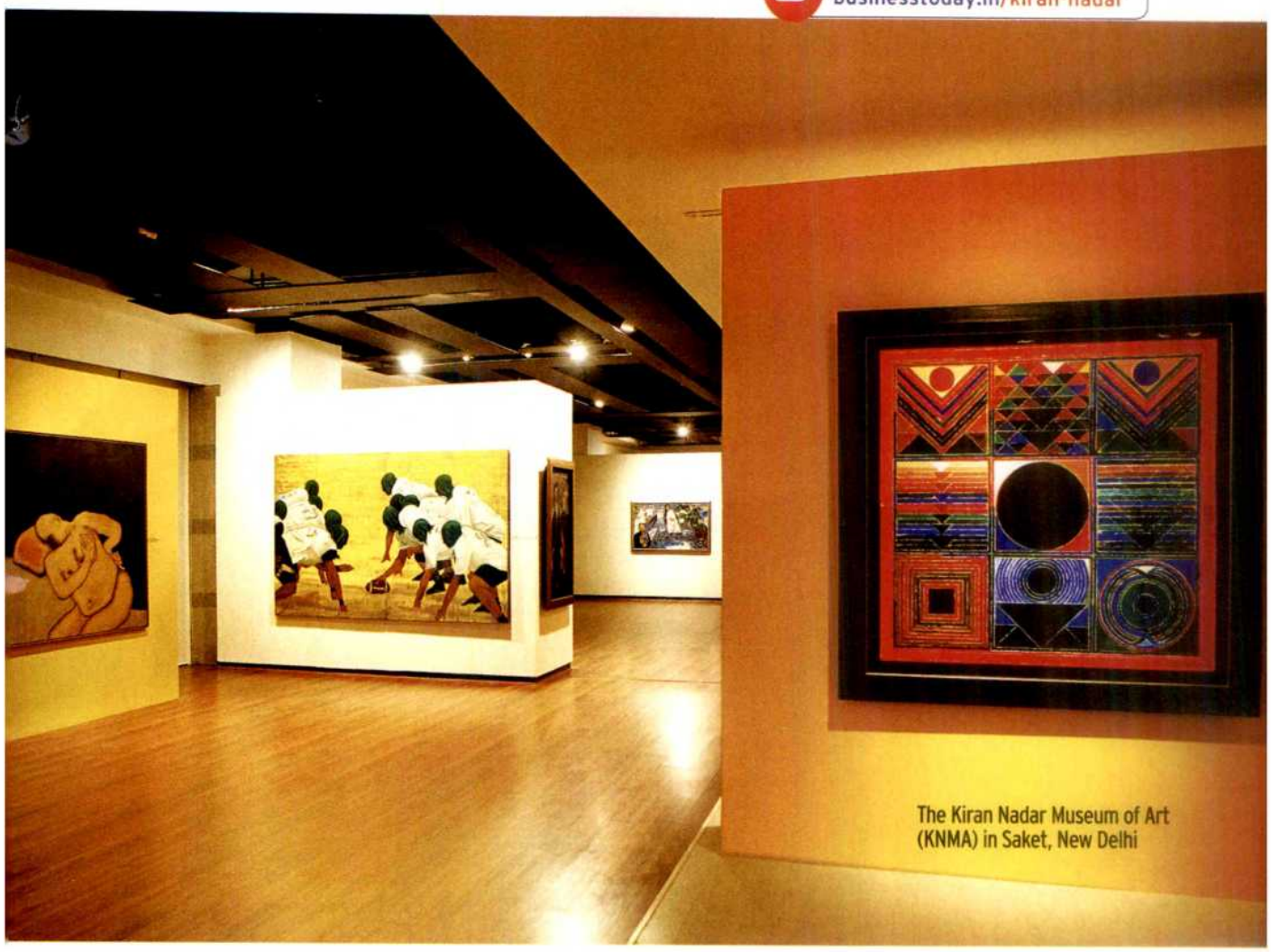
For instance, the painting I picked up of Broota was a male nude called *Runners*. For somebody who had no art background to buy such an avant-garde work – and that too life size – showed a maturity of thought.

Soon I had more art than walls. There was just no space and the art had to be put into storage. But still I enjoyed collecting. By now it had become a passion and I could not stop buying.

In early 2000, I decided that all the art I had acquired needed to be housed in a museum which anybody could come and see. I wanted to share with the world. It took me several years to fructify the idea. We started with a museum in Noida, at the HCL campus, in 2010. We are still there, in fact, though I have expanded and created this museum (the Kiran Nadar Museum of Art) in Saket.

Now we are looking to build an even larger museum

Interview with Kiran Nadar at
businesstoday.in/kiran-nadar



The Kiran Nadar Museum of Art (KNMA) in Saket, New Delhi

VIVAN MEHRA

space in NCR. We are looking at a stand-alone building with about 150,000 sq. feet space, a larger expanse for art works and a place where we could have an auditorium for art talks, a restaurant and more.

Everything in my museums are from my private collection – though occasionally for some shows, a few works are loaned by the artists. In 20 years of collecting, I now have 3,200 works. Now I no longer buy for my home and only collect for the museums.

During my initial foray of buying, I collected Husains. Earlier I was an instinctive buyer. Later as I matured as a collector, I researched art works a lot, reading up and talking to people. I began looking for important works of artists. When you have most of the artists in your collection, you then start looking for stellar works, or to fill the gaps in your collection.

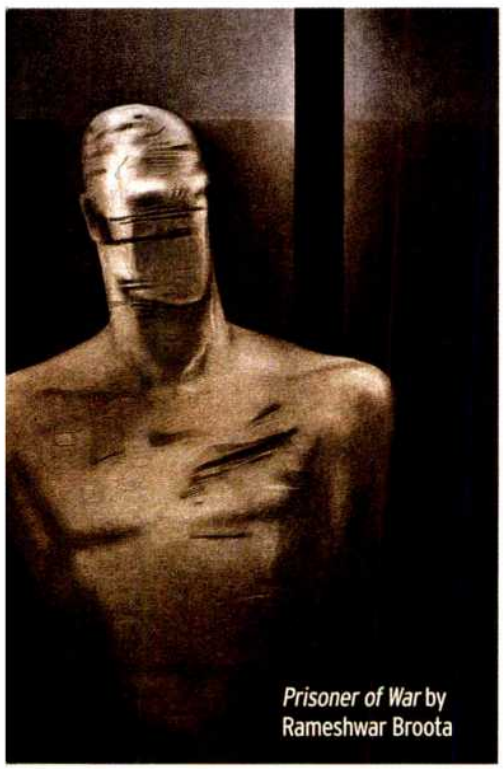
For instance, Husain has produced from the ordinary to the mercurially brilliant. So you have to be very careful what you are picking up of his. I try not to buy his more recent works when he became prolific. Some of his earlier works were brilliant.

I largely avoid unknown artists. Yes, I do pick up younger artists but I don't go for experimental art. Now my buying is only for the museum, and I have to be very careful in what I buy.

## The first brush with art

When you are beginning to collect art, your first consideration should not be how much will it be worth in 10 years time – because you never can judge that. There are artists who have appreciated phenomenally and some artists who have always remained on the backburner.

Instead, get first-hand knowledge of the art. Once you get your eye in, buy art that you personally like, as you have to live with the painting. Don't buy because somebody recommends to you that it is a very good buy.


*Prisoner of War* by Rameshwar Broota

For a collector, the space you are collecting for is also important. Multimedia is difficult to install. You could look at sculptures – though sometimes they do require a large space. How much resources you have to spare also shape your buying decision.

I buy a lot of art at auctions, through galleries, sometimes directly even from artists, though they mostly prefer dealing with galleries. They don't like to deal directly. Occasionally I have also commissioned works.

Husain has done two commissioned works for me – *Mahabharat* and *Mother*. I did not give him the subject, I showed him the space and he decided on the subject himself. I also commissioned Manjit Bawa to do a piece for me which I called *Our world*.

Commissioned work has its own risks. Because you are honour bound to take that work. You cannot say that you don't like it and decline it. And you don't know what the artist will produce. But if you know the artist well, it usually works out well. For instance, I asked Arpita Singh (whose *Ramayana* sold for ₹9.6 crore) to create a work for me. I absolutely left it to her and she produced a brilliant work. So I do commission now and then. If I like a particular artist and his or her work is not available, then I commission. There is no price difference really – the artists charge you according to the market rate of their current works.

## Changing canvases

I like new media though in my home, I have none. I have mainly paintings and sculptures. I think all forms of arts are fascinating. Tribal art came into vogue recently. As far as trends go, video art is becoming very important and the use of film has increased. Though for me personally there is nothing like old fashioned paintings. Unfortunately today, due to the focus on new media, the emphasis on pure painting is losing its space.

In terms of content, there is no special theme that I am attached to, or particularly pick up. All artists have their own special areas and I appreciate each one of them. For instance, Raza is very focused on colour. And his patterns and abstraction is fantastic. Souza's figuratives are brilliant. Ravi Verma is the master of mythology.

Most of my collection is Indian art – I would say nearly 95 per cent. There are two reasons – the first is that resources to buy are not unlimited. Western art can be quite expensive. The second reason is that you need the knowledge to buy global art discerningly.

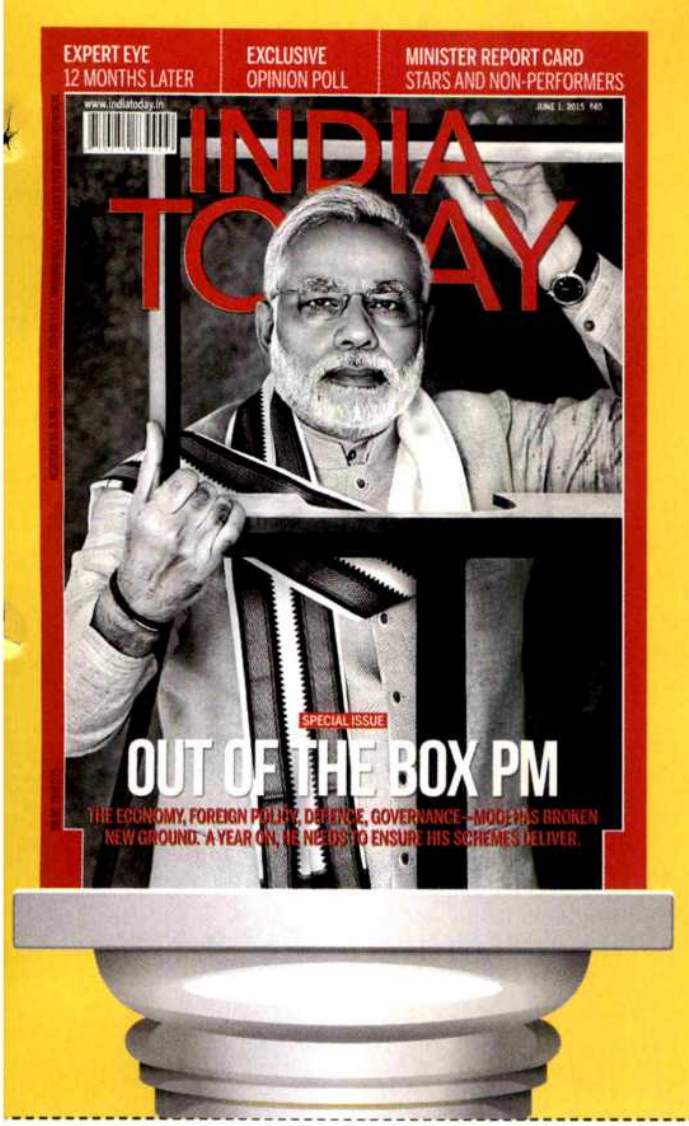
All my art is insured. It is essential they are insured against all eventualities. ◆

*As told to Chitra Narayanan*

## COSTLY CANVAS

In 2013, an untitled painting by **Vasudeo Gaitonde** created a record as India's most expensive art work when it was sold for **₹23.70 crore ($3.7 million)** at a Christie's auction in Mumbai. Till then the costliest canvas was *Saurashtra* by S.H. Raza, which was sold for a little less than $3.5 million in 2010. Mind you these are auction deals - there could be private sales.

**Paul Gauguin's** 1982 work called ***When Will You Marry*** featuring two Tahitian girls is thought to be the world's most expensive work of art. It changed hands recently with the canvas purchased by the Qatar government for nearly **$300 million** from a Swiss collector.

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# HAUTE LIVING

## FINE PRODUCTS AND EXPERIENCES FOR THE DISCERNING LADIES AND GENTLEMEN

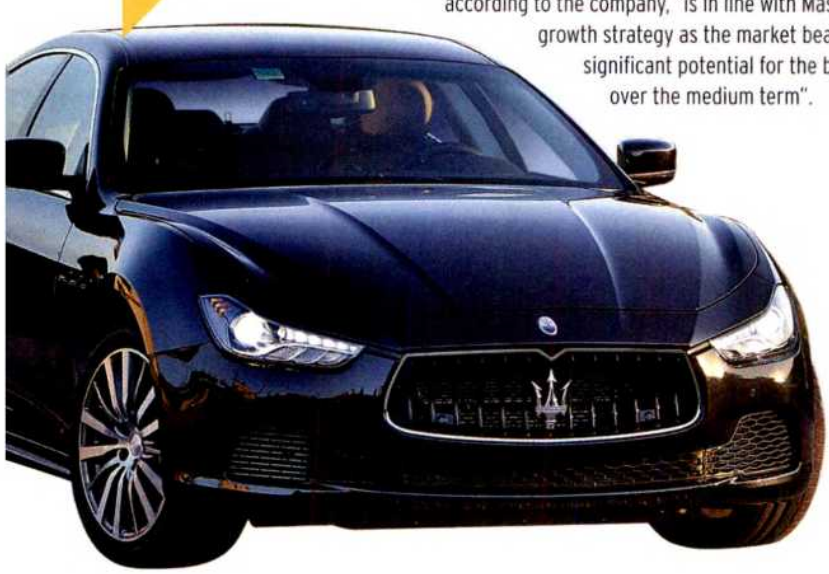
↑ MY TAILOR HOME

A bit of French luxe in aamchi Mumbai. My Tailor Home, based in Mahalaxmi, sells bespoke furniture, window dressing, tableware, fabrics, Wand ceramic tiles among others.

NEW LAUNCHES

↓ MASERATI

Perhaps the surest sign of the age of opulence in India – Italian luxury car manufacturer Maserati has announced its re-entry into the Indian market. The renewed focus, according to the company, "is in line with Maserati's growth strategy as the market bears significant potential for the brand over the medium term".



→ FERRARI CALIFORNIA T

With a top speed of 316 km/h, Ferrari's California T will soon hum in India. It boasts a new turbocharged V8 engine, an increase in torque by 49 per cent, and a reduction of 15 per cent in fuel consumption.

## MIRARI'S ELEPHANT CUFF

Some elephantine delight. Jewellery brand Mirari has an "Elephant Extraordinaire" collection to "transform the pride of the forest into an exquisite piece of wearable art". This cuff bracelet is particularly rich: in 18-karat white gold using rounds, pears, emeralds and marquise-shaped diamonds, weighing 14.47 carat. There are also red spinel beads and ruby cabochons, weighing 44.82 carat. Price on request.

## ROLAND ITEN CALIBRE R822 PREDATOR

It is probably the most expensive belt buckle in the world. There are only three pieces of the Swiss-made Roland Iten Calibre R822 Predator buckle, which costs $400,000. It has 18-carat white gold with titanium frame and 387 baguette- and round-cut diamonds, weighing 14.15 carat. A big fan of Roland Iten is Sylvester Stallone. The actor, who is parting with memorabilia from the *Rocky* and *Rambo* movies in October, has already auctioned one of his buckles for charity.

NEW LAUNCHES

## THE SAFARI BUTLER

If you like the wild, you may want to hunt for The Safari Butler. Created by Frazer and Haws' team of designers in London, the ₹5.95-lakh piece has a set of two deer cast in bronze with tables balancing on their back. You can place bar accessories on it.

## OLD PULTENEY

If you like getting tipsy, there is more golden amber liquid flowing. International Beverage Holdings Limited has entered three single malt scotch whiskies in India – Old Pulteney, Balblair and Speyburn. The Balblair 2003 vintage, priced at ₹6,700, has toffee, butterscotch and vanilla notes.

## HENNESSY COGNAC 250 COLLECTOR BLEND

If you are an admirer of Hennessy Cognac, there is a special gift for you. Of course, it isn't free. Hennessy has come up with a collector's item, costing $260, to mark its 250th anniversary. It has unveiled a special H250 blend. Over 100 brandies, aged from 15 to 35 years, were selected for the blend.

## DOM PÉRIGNON VINTAGE 2005

You may not remember the summer of 2005 in France, or the rains in September. But it is all secured inside a bottle of Dom Pérignon Vintage 2005, the latest from one of the oldest luxury champagne house. The wine, according to its maker, "has a strong character and a powerful presence - there is even something physical about it". The tab: ₹21,287 in Mumbai and ₹19,990 in New Delhi.

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# Harvard Business Review

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## THE EVOLUTION OF DESIGN THINKING

IT'S NO LONGER JUST FOR PRODUCTS. EXECUTIVES ARE USING THIS APPROACH TO DEVISE STRATEGY AND MANAGE CHANGE.

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NEW LAUNCHES

## THE AQUARACER

Here's something for those who dive, sail, ride, surf or swim. Heuer's The Aquaracer is a sports watch targeted at the professional watersports enthusiasts. Quite tackily, it is named after 300-meter dive capacity. Price on request.

## M2/02

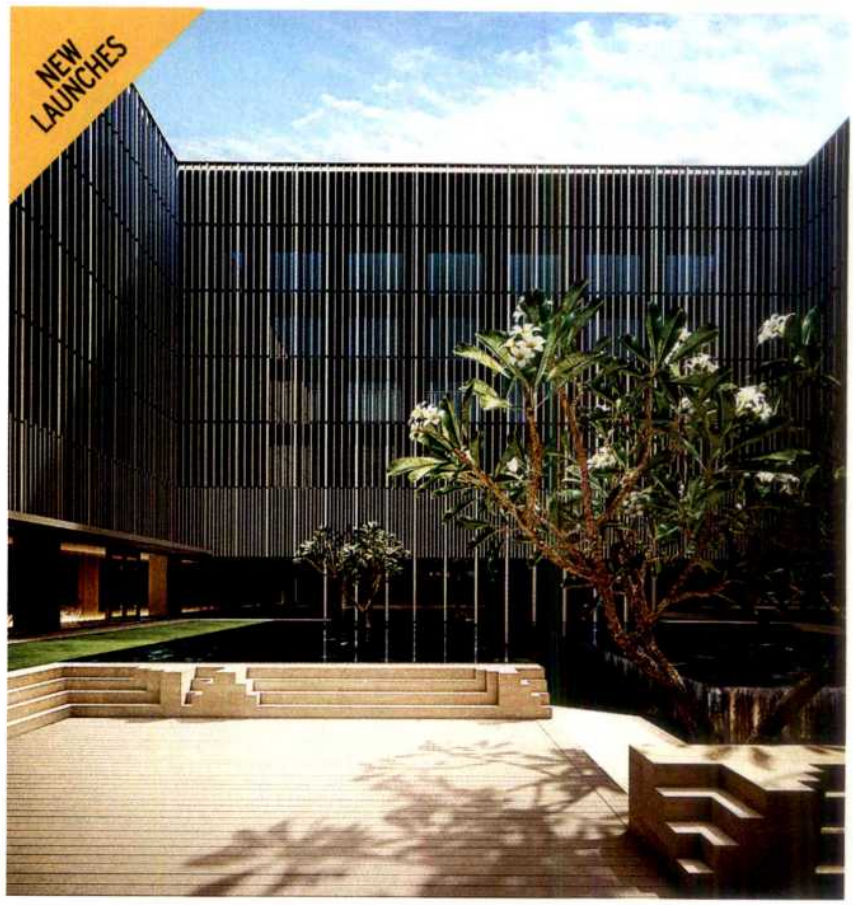
What if you could wear the industrial revolution on your sleeve? No. Wrist. Swiss luxury watchmaking company SevenFriday has launched M2/02 in Rose Gold – the inspiration comes from industrial revolution machine parts, made from copper and cast iron. Price is on request.

## ARMANI SI INTENSE

It is being marketed as an "exhilarating tribute to a bold and risk-taking woman". The Armani Si Intense for women comes at ₹9,000 for 100 ml – bold could mean independent spirit or, when she chooses, "highly seductive".

## FREDERIQUE CONSTANT

It is time for smart watches. And Geneva's luxe watchmakers appear determined not to lose ground to San Francisco. Frederique Constant has come up with a Horological Smartwatch that is capable of bi-directional communication with iPhone and Android apps. A small red hand will point out the moon when you sleep and a small steel hand will display the percentage of activity, or sleep goals.




→

## DUSIT D2

The second hotel of the Dusit-Bird group joint venture in India, after the Devarana, is getting its final coat and polish before its expected soft launch by April 2016. Given the clutter of big hotel brands at the Aerocity in Delhi, how does the Thai chain expect to stand out? Well, the 216-room hotel hopes to create some excitement through three Fendi suites that the Italian fashion house is creating, a 60-seater theatre, and a luxury tea experience zone run by Singapore based The Wellbeing Group.

↑

## ABERCROMBIE & KENT

The ultimate in travel could be a shot at space, but since that is some distance away, why not luxury travel company Abercrombie & Kent's 'Around the World by Private Jet'? Between October 17 and November 11, 2016, the company is taking 50 guests on a tour of Islands, Savannas and the Amazon. The journey would cost $117,000. The company's founder Geoffrey Kent has charmed exclusive clintele such as Hillary Clinton and Bill Gates in his various tours.

## MIELE'S MASTERCOOL REFRIGERATOR & WINE CONDITIONER

German appliances company Miele says it can spread more cheer. Its MasterCool refrigerator with wine conditioner will set you back by ₹31,49,970, but its three cooling zones, each with independent controls, can separately store champagne, white and red wines at their ideal environmental condition. Similarly, the refrigerator preserves fruits and vegetables automatically, varying the humidity levels and temperatures in different cooling zones.

NEW LAUNCHES

## BALLY'S AUTUMN WINTER COLLECTION

Since Autumn isn't far away, why not check out Bally's Autumn Winter Collection. Its men's collection, particularly, is "inspired by the notion of the urban explorer". Contemporary, bold, stylish.

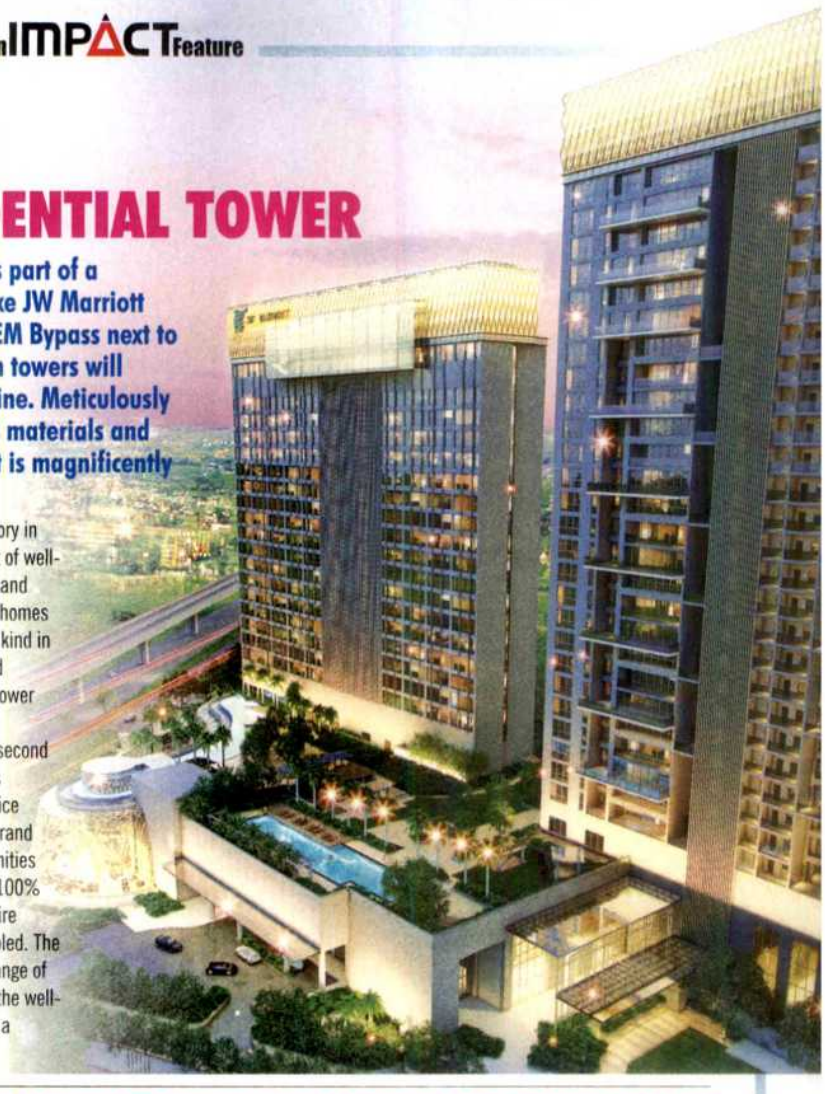
## DIONYSUS BAG

Myth-inspired Dionysus Bag from Gucci is made from many materials - suede, python and crocodile. A hand-embroidered bee, created by using thin strips of brass wrapped in silk thread, completes its striking looks.

# VIVARA

## THE PREMIUM RESIDENTIAL TOWER

**The Vivara is a premium residential tower that is part of a property that will also host the 5-Star super deluxe JW Marriott luxury hotel. Located on the prime stretch of the EM Bypass next to the ITC Sonar close to the Science City , these twin towers will leave an indelible mark on the city's eastern skyline. Meticulously planned spaces, best-in-class styling, world-class materials and inspired finishes – Vivara will create a world that is magnificently luxurious, silently elegant and exclusive.**



High-end serviced residences form an emerging niche product category in the urban residential real estate market. There now exists a segment of well-heeled gentry who are not content with just having a home designed and built to international standards. They are also demanding that these homes be maintained at 5 star levels.. Vivara will be the first property of its kind in Kolkata where the residences will be service-supported by a branded international hospitality major – Marriott. The G+28 storey Vivara tower comprises large serviced residences, luxuriously finished and fully airconditioned with imported VRV/VRF system. Aeon the club on the second floor podium level offers exclusive club experience .Vertical access is provided by 4 high-speed passenger elevators and 1 goods and service elevator. The premium serviced residences are accessed through a grand triple-height airconditioned entrance lobby on the ground floor.. Amenities provided are commensurate with high-end luxury living and include 100% power back, 24x7 high-tech access control & security systems and fire detection & protection systems. The entire premises will be wifi enabled. The residents of Vivara will also have the privilege of accessing a wide range of a-la carte services provided by Marriott. Going by the aspirations of the well-heeled, internationally traveled segment Vivara is targeted at, this is a concept whose time has come.

# TULSIANI'S SILVER LUNE URBE LAUNCHES PHASE II

### Around 200 units in Phase I ♦ Phase II will see development of 172 units

Tulsiani Construction & Developers Ltd.'s, India's one of the fastest growing luxury real estate developer, proudly announces the phase II of Silver Lune Urbe -- 56 acre integrated township in Meerut -- where it will have 172 independent floors. The developer launched the township in June 2014 and received good response for its phase I by selling almost 200 of the offerings doled out during the initial period. Silver Lune Urbe has luxurious 2, 3 & 4 bedroom independent Floors and Villas and is strategically located near the national highway bypass from Delhi. It is around 7 Kms from Begum Pull and around half a kilo meter from the Delhi Bypass. Total area of the project is around 130 acres with 70 per cent of the area left for the green space. Around 4 blocks of houses and villas are planned inside the township with provisions for EWS, LIG and Commercial space also. There will be 1570 Independent floor houses comprising various permutations of bedrooms (2, 3 & 4 Bedrooms) and 85 Villas. The success of the project is commendable looking at the state of luxury real estate market in the country. Mr. A K Tulsiani, CMD, Tulsiani Construction and Developers Ltd, "The response to our projects shows that if people see the commitment in developer then the price of the product does not matter. People who need those kinds of amenities are always there in the market. The need is for the developers to show earnest and deliver the right product to the right people."

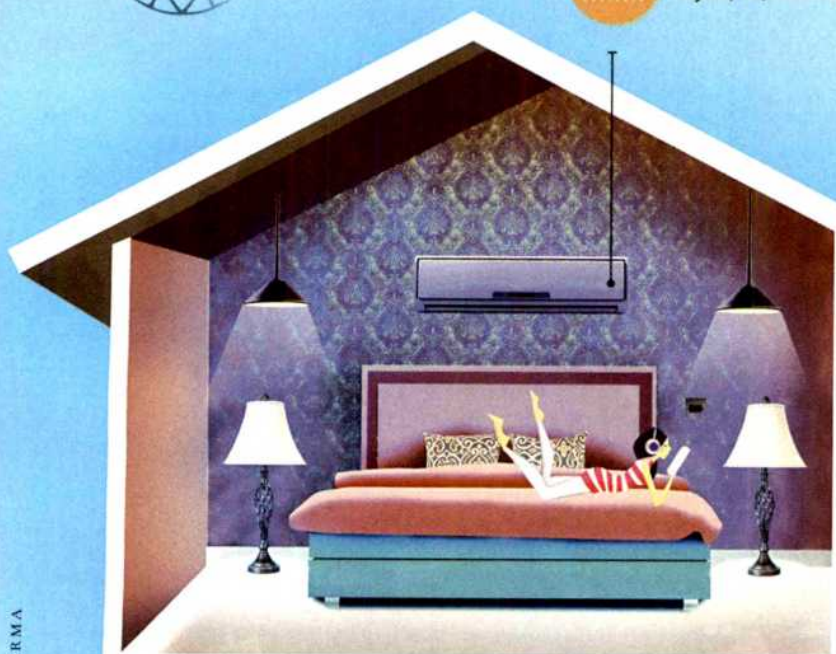
"Looking at our past record people have shown confidence in us and our latest offering. This is the reason that in spite of the so-called slowdown in real estate market we have sold 200 units, whereas the total number of units sold by other major developers in Meerut has not crossed as much units. By living up to the expectation of people through good progress of Phase I within the stipulated time, we have proved that market is good for genuine products. In phase II and also in our subsequent ventures we promise to keep up the pace ". A joint venture of Tulsiani Construction and Developers Ltd. with Sunshine Infraheights Pvt. Ltd. (an SPV of Tulsiani Constructions & Developer Ltd. and Zest Buildwell) in joint association with Grey Stone Infra, Silver Lune Urbe promises to provide residents respite from crowded city by offering them residences in lush green environs. The project has greenery, with extensive landscaping and water bodies, 24X7 power backup and Wi-Fi connectivity. The township is fully secured gated with multilevel security, it will have high-tech club, state-of-the-art Gymnasium, luxury Spa, Squash and Badminton Courts, world-class Swimming Pool, Banquet Hall and a choice of Guest Rooms. The three side open houses or Villas will have world class features such as, Kaff's chimney & hub, Faber's modular kitchen, Grohe's or Kohler's C.P. fittings, Ozone S.S. railing, Rak or Kohler's chinaware and many more such excellent facilities.

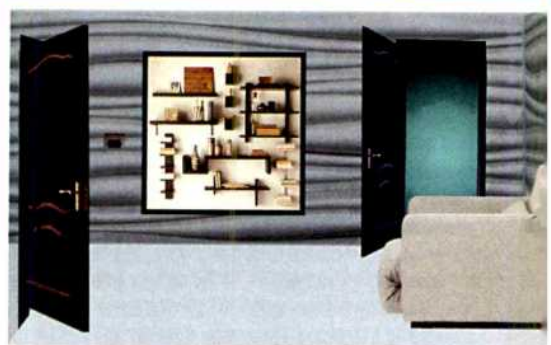
About Tulsiani Constructions and Developers Ltd. A Leading name in the Luxury Real Estate Industry, it is an Allahabad-based company with expertise in design & development of residential & commercial property. The company's mantra is 'People First'. It is people, their environment, their needs and the quality of their lives that are vital inputs for company's engineering, landscaping or choice of location. The company believes that it is sound business sense to act with honesty make minimum impact upon the environment & maximum benefit to communities in which it work. As it believes in doing business ethically & responsibly, hence all the projects are associated with uncompromising construction standards and matchless aesthetic beauty. The company is driven by the entrepreneurial passion of Mr. Anil Kumar Tulsiani & Mr. Mahesh Kumar Tulsiani. Company's thorough knowledge of the sector in general, its capacity to adapt to external changes, its willingness to embrace new technologies and its specific knowledge of the market has allowed to develop a growth and expansion plan which it has gradually consolidated. After several successful launches in Allahabad the company is marking its presence in various locations in India.

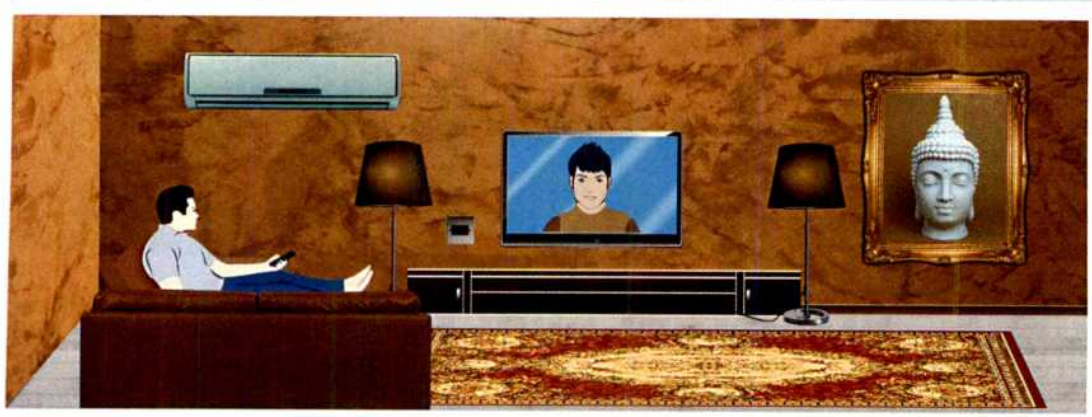
LUXURY 2015

# PERSONAL TECH

By just touching your smartphone, you can control lights, AC/room temperature

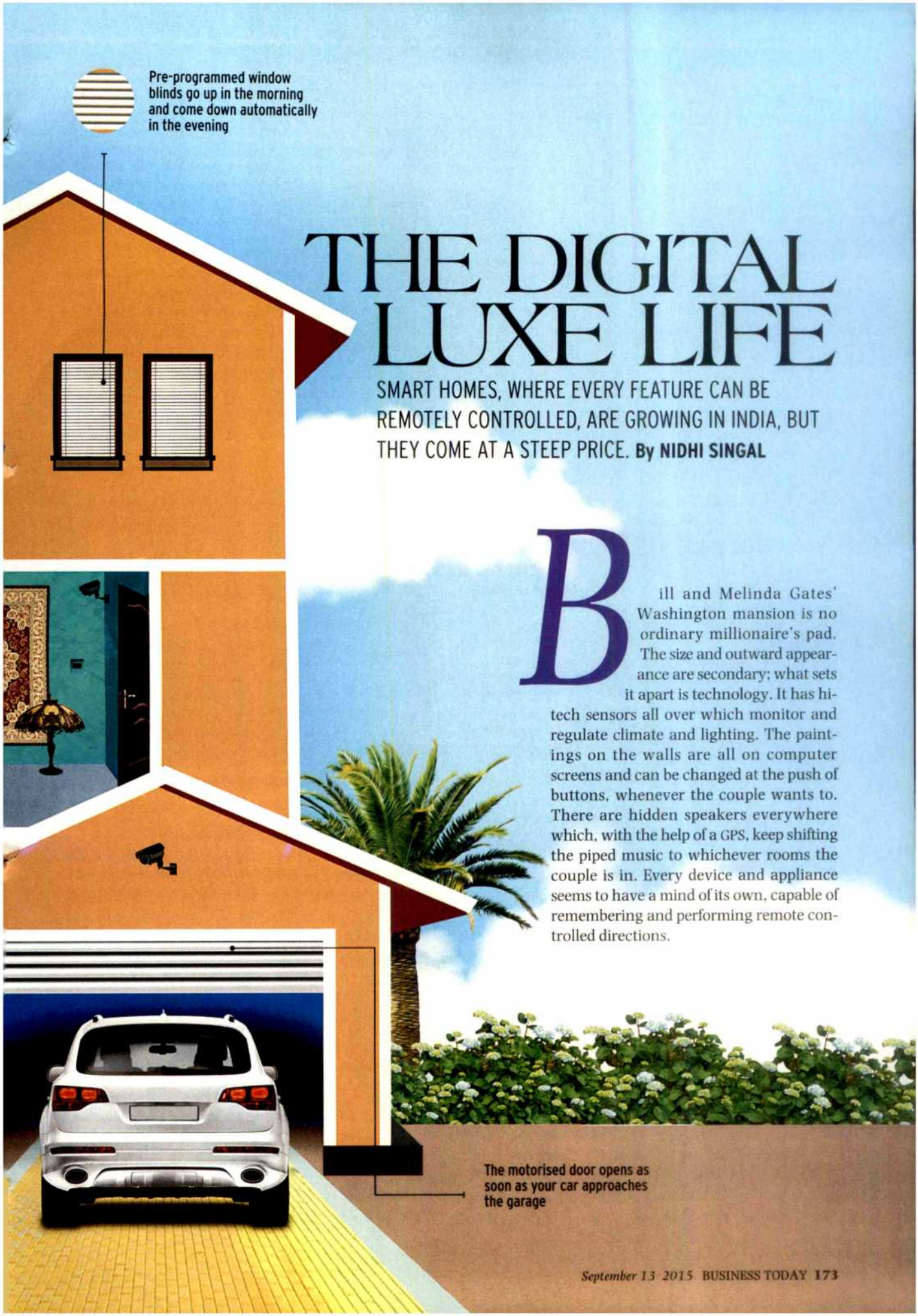






PHOTOGRAPHS BY RAJ VERMA

You can easily lock your home from your smartphone



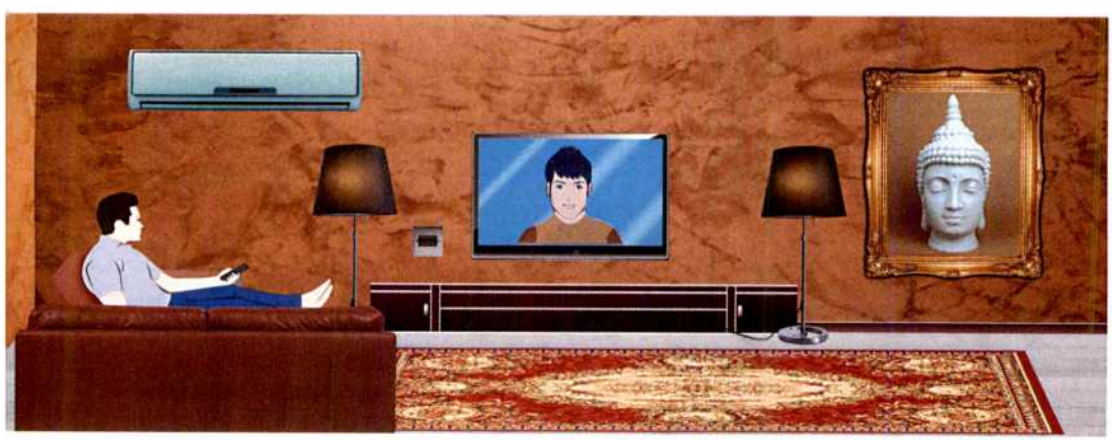

# THE DIGITAL LUXE LIFE

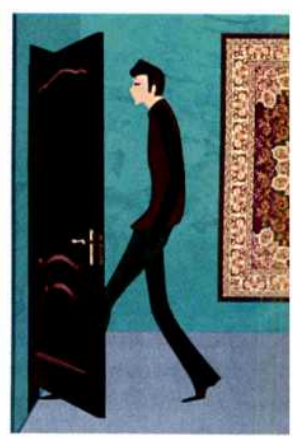
SMART HOMES, WHERE EVERY FEATURE CAN BE REMOTELY CONTROLLED, ARE GROWING IN INDIA, BUT THEY COME AT A STEEP PRICE. **By NIDHI SINGAL**

Bill and Melinda Gates' Washington mansion is no ordinary millionaire's pad. The size and outward appearance are secondary; what sets it apart is technology. It has hi-tech sensors all over which monitor and regulate climate and lighting. The paintings on the walls are all on computer screens and can be changed at the push of buttons, whenever the couple wants to. There are hidden speakers everywhere which, with the help of a GPS, keep shifting the piped music to whichever rooms the couple is in. Every device and appliance seems to have a mind of its own, capable of remembering and performing remote controlled directions.

The houses of Indian technology wizards and high net worth individuals have not got that far yet, but they are on their way. In a not-too-distant future, tech experts aver, you will need to only punch a few buttons on your smartphone in advance to have your window blinds rising on their own at a fixed hour every morning, letting in the sunshine. Your favourite music – or *bhajan*, or the morning news bulletin, whichever you prefer – would start to waft through your bedroom as you wake up. It would follow you into the kitchen or the bathroom as you move there. Lights and fans would turn on by themselves as you enter different rooms, and turn off again when you leave. The front door would lock itself as you depart for work. When you return, your garage doors would open as your car approaches. Your building lift – if you live in an apartment – would recognise you and take you automatically to your floor. Your front door would open as you reach it. Inside, the air conditioner would be already working, the TV already on.

More delights would await you in the bathroom and the kitchen. Press some more smartphone buttons and the shower would start streaming water at your preferred temperature. "A smart bathroom's mirror would have a built-in TV, touch faucets, aroma therapy shower panels and a high-end Jacuzzi," says Neelesh Gupta, Director at Gurgaon-based sanitaryware supplier, De Ceramics. In the kitchen, the coffee machine would have your morning or evening cuppa ready even as you enter it. Your appliances would possess sixth sense technology, making them capable of interpreting gestures. Ovens would turn on by themselves if you wanted them to, and suggest menu options as well. Refrigerators would chill faster if you so desired; chimneys would adjust their suction depending on what is being cooked. "Drawers would have touch-enabled sensors to open when you touch them or shut when you withdraw," says Vikas Juneja, Managing Director at home accessories maker, Benchmark Lifestyle Solutions. "Accessories from top European brands can make your kitchen as hi-tech as the latest luxury car models."





You can check who is at the door and conduct video door conferencing right from your living room through your TV

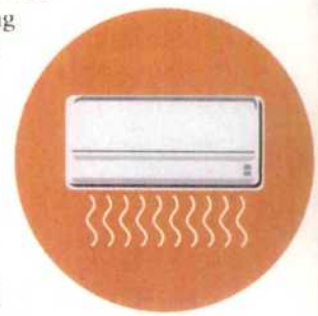
Seems far fetched? In the past few years, Indian developers have begun offering houses which incorporate some of these features. Mantri Developers' housing projects across Bangalore, Chennai, Hyderabad and Pune; Sobha Developers' Habitech project in Bangalore; the Lodha Group's recent buildings in Mumbai and Thane; and IREO's Skyon Apartments in Gurgaon all have smart features in varying degrees. Mantri Developers' apartments, for instance, enable security and visitor management, as well as lighting control, at the touch of buttons, while acti-

vated alarms alert residents to fire, gas leakage or unwarranted intrusions.

Also, the average brick-and-mortar home can be turned a smart one with help from specialist companies, though it is always better to integrate smart features into the wiring at the construction stage itself. "We work with both new homes and old ones which seek smart retrofitting," says Thanik B., Director-Business Development & Strategy, Eco-Buildings, at electrical manufacturing giant, Schneider Electric India. "The basic requirement is to enable all the gadgets and devices installed in a home to communicate on a common platform. We have solutions for doing so." Once linked, a single app can provide a panoramic view of every room and buttons on a single device can operate every gadget.

Naturally, the smart transformation does not come cheap. A number of the residents at DLF's upscale apartment complexes, Aralias and Magnolias, around the DLF Golf Course, Gurgaon, for instance, have upgraded thus – and it cost them a few crore. (The flats themselves, around 5,000 sq. ft. in area, cost about ₹15 crore.) "Automating a five bedroom home, along with the living room would cost around ₹15 lakh, excluding the cost of the equipment," says Sunit Mathur, Managing Director, Cinebels, which installs home entertainment equipment. "This would include automatic light dimming devices, air conditioners in all rooms with touch panels, home theatre systems in every room including a big one in the living room. The total cost depends upon the brand used, from ₹30 lakh for everyday brands to a few crore for the high-end ones." Upgrading bathrooms and kitchen would raise the cost further. "The minimum cost of turning a single bathroom into a smart one would be close to ₹15 lakh," says De Ceramics's Gupta. Similarly, experts estimated that smartening up a kitchen would cost at least ₹25 lakh.

There is, however, some saving in the long run, as smart homes are also energy efficient, reducing consumption by 30 to 60 per cent. "A combination of dimmers, sensors, and window shades maximise energy efficiency with respect to lighting," says Raimondo Salandra, President, Low Voltage Products, ABB India. "The house design, the gadgets and processes used help as well." Refrigerators, for instance, can be programmed to reduce cooling when the house owner is away and thereby save energy. "A smart home is one which improves quality of life without stressing resources," Salandra adds.



Another key aspect is access to all multimedia entertainment from a central network storage device, with all content permanently stored there. "Often people lose the existing content on their devices as they record new songs, videos or movies," says Ashish Tijare, Vice President, Sales, CasaDigi, which provides intelligent home solutions. "We store your content at a single place in network storage from where it is available across all TVs in your home. We create individual profiles for all our members according to their personal preferences." Experts maintain that given the continuing advances in digital technology, the possibilities are endless. ◆

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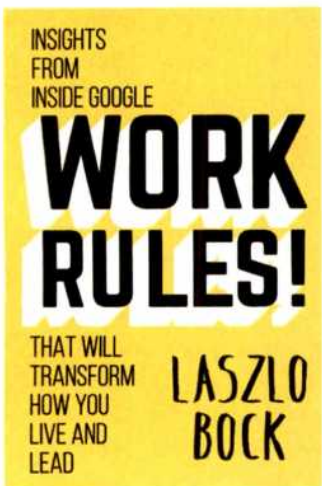
# The Secret Code of Google's Success

## The book looks at what makes the search giant the world's best workplace.

By PADMAJA ALAGANANDAN




***Work Rules! Insights from Inside Google That Will Transform How You Live and Lead***
**By Laszlo Bock**
PAGES: 416
PRICE: ₹1,134
Twelve

Imagine going through a company's code of conduct and seeing the following excerpt: "We like cats but we're a dog company, so as a general rule we feel cats visiting our office would be fairly stressed out." Clearly not an organisation bound by traditional notions of managing the workplace but one looking for relevance to what employees value and what makes sense to the culture they want to create. This in essence is at the heart of Google's success as a workplace.

A lot has been said and written about the global search giant's legendary work practices. Laszlo Bock, the US company's Head of People Operations, writes in a very readable style on how these evolved and how they reflect the core beliefs and values of the founders. Bock is representative of the 'not so typical' profile of the Googler – he worked in manufacturing, helped start a not-for-profit, spent time consulting at McKinsey & Co. before moving into HR roles, initially with GE and later at Google.

Bock talks about the core values that drive culture – transparency and non-hierarchical approaches. The benefits at Google are the same at all levels, and stock is granted to all employees. Some practices are refreshingly unique, such as the weekly all-hands meetings still chaired by the founders, and Larry Page meeting every shortlisted candidate before an offer is made (bear in mind Google has 60,000 employees and hired 10,000 in the last two years). Many others may appear commonplace, but what stands out is Google's willingness to experiment, follow through on aspects the company considers important (for instance, don't fill a position till you find the right person, even if it means you take a long time) and obsessively use analytics and employee test groups for any decision on what would be valued.

A constant belief running through the book relates to the 'power of the crowds'. Decisions at Google – whether on hiring, promotions, pay – are never left with managers, but done collectively by a team. There is also the interesting notion of a manager whose ultimate role is to 'make you want to be a better man', rather than an administrator or a power centre managing your career or next pay hike.

The book helps us understand some of the thinking behind Google's people practices and its legendary culture. While it could be argued that culture is very company specific and what works in a geeky Bay Area enterprise may not work everywhere, Bock brings in a profound insight when he talks of how the winners of the Great Places to Work awards were more similar despite coming from very different industries. Leading with your heart, empowering employees and focusing on the customer regardless of cost are what he feels separate these workplaces from others.

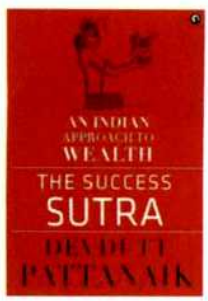
The early chapters could be a good read for business leaders on the fundamentals of creating a company of high performing talent and cohesive culture. For instance, Bock talks about the company's mission – to organise the world's information and make it universally accessible and useful – and how decisions are often based on what supports the mission and values, and not on economics. The chapters on how Google recruits, manages performance, learning and makes pay decisions go into a lot of detail on alternate approaches and merits of each, and are more likely to be read by HR practitioners. The book ends with a summary of work rules that can work as a fundamental guide to leaders at all levels on how to build a self-fuelling organisation where teams find meaning in what they do and relish the accomplishment of having done something to make a difference in this world. ◆

*The reviewer is Partner, Consulting, PwC Consulting*

Decisions at Google – whether on hiring, promotions, pay – are never left with managers, but done collectively by a team

# *Lessons in Building Wealth*

## A must read for entrepreneurs, investors and management executives. By ANILESH S. MAHAJAN




***The Success Sutra***
**By Devdutt Pattanaik**
PAGES: 151
PRICE: ₹399
Aleph Book Co.

Renowned author and mythologist Devdutt Pattanaik's latest book is derived from his 2013 work *The Business Sutra: A Very Indian Approach to Management*. While *The Business Sutra* describes an Indian way of doing business, in contrast to the western management practices, the new book discusses the Indian approach we should take to achieve success and prosperity.

The book helps us in understanding ourselves as employees, the organisation we work in and our professional relationships, and how individuals can create institutions using Indian values. Written in the same style as the previous one, the book shares lessons from the stories we all have heard in our childhood. Pattanaik takes stories from Hindu mythology as well as Buddhist and Jain folklore and contextualises these in terms of management practices. In one chapter, for instance, he explains that decisions are contextual. He connects a Vikram-Vetaal story to the problems that promoters of Indian companies face while dealing with succession issues. Should the decision be made on the basis of emotions, equality, fairness, business growth and shareholder values, he asks, adding that all these factors will face opposition from one quarter or the other.

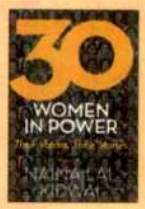
Another chapter compares organisation to the sky comprising stars, planets, and relationships between them as perceived by observers. Unlike the management norm where organisation is nothing but a combination of tasks and targets, the book argues that Indian ethos is different. He argues that chasing targets is like seeking the promised land in Abrahamic mythology. Indian mythology, on the other hand, warns against chasing Lakshmi – the goddess of wealth – and instead encourages us to attract her. He says people should satisfy the hunger of others to satisfy their own. In other words, companies must work towards enriching their shareholders and consumers in order to generate wealth for themselves.

The book is written in a simple language and follows the principle of 'one story, one idea'. No chapter in the book is more than six to seven pages, and this helps you to read and grasp the ideas quickly. I read the entire book in one go, and it took me slightly more than two hours to finish. While it is a quick read, the lessons it offers are invaluable and will last a long time.

The book is a must read for entrepreneurs, executives as well as investors, especially at a time when India is experiencing a start-up boom. Look forward to reading *The Leadership Sutra* and *The Talent Sutra*, which Pattanaik has promised by the end of next year. ◆

### *30 Women in Power: Their Voices, Their Stories*

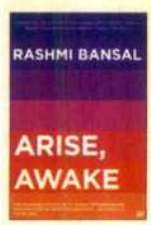
THE FORTNIGHTLY PICK



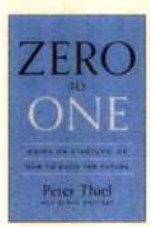

By Naina Lal Kidwai
Rupa Publications India
Price: ₹500

The book carries the inimitable voices of pioneering Indian women who have led large organisations

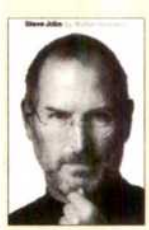
## BUSINESS BESTSELLERS*



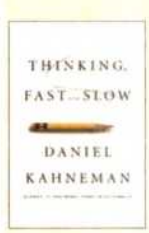

*Arise, Awake*
By Rashmi Bansal
Westland Books
Price: ₹200




*Zero to One*
By Peter Thiel
Random House
Price: ₹499



*Steve Jobs*
By Walter Isaacson
Little, Brown Book Group
Price: ₹550




*Thinking, Fast and Slow*
By Daniel Kahneman
Penguin
Price: ₹499

*Dream with Your Eyes Open*
By Ronnie Screwvala
Rupa Publications
Price: ₹500

*Top books by sales for August 2-15, 2015; Includes only books released after July 1, 2014; Information provided by amazon.in

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**SPEED Consulting Private Limited**
Senior Manager - Investment Banking
**Location:** Chennai
**Job ID:** 17153757
**Description:** Gathering and check o portfolio data received fron Accounting(Hiport, Multifonds,others...) Client/Market analytics (Bloomberg, factset manager commentaries.

**Novartis Healthcare Private Limited**
Senior Service Manager
**Location:** Hyderabad / Secunderabad
**Job ID:** 17299336
**Description:** Manages the service or service portfolio offered to customers, (Leads decisions to add, freeze, modify or discontinue the service or services within the tower.)

**Sungard Solutions India Private Limited**
Senior Manager Networks
**Location:** Maharashtra, Pune, WestendCente
**Job ID:** 17048697
**Description:** Responsible to be a hands o manager of a team that supports a glob network 24/7/365.

**RR Donnelley India Outsource Private Limited**
Senior Manager- Talent Acquisition
**Location:** Chennai
**Job ID:** 17256258
**Description:** Single point contact for internal clients and the senior management for all hiring requirements.

**New Venture Consultants**
National Sales Head - Express Cargo
**Location:** Delhi
**Job ID:** 17314984
**Description:** Overseeing profit cente operations and accountable for increasin profitability and achieving business objective within budgeted parameters.

**Golden Opportunities Private Limited**
Senior Manager - Black Belt
**Location:** Kolkata
**Job ID:** 17313946
**Description:** Participating and Leading organization wide improvement initiatives directed towards capability enhancement of associates.

**Financial Software & Systems Priva Limited**
Head - Consulting
**Location:** Chennai i
**Job ID:** 16868210
**Description:** 12-15 years with considerat consulting/advisory expertise in the Payme domain coupled with exposure to busine development and account manageme activities.

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**Job ID:** 17315656
**Description:** Should have extensive experience in any one of the mobile automation testing tools(See Test/ Sikule / Calabsh / Appium /Ranorex/Perfecto).

**Mindteck (India) Limited**
Senior Linux Engineer
**Location:** Bengaluru / Bangalore
**Job ID:** 17308276
**Description:** Must Have Strong experience in Embedded Linux Build and development environments.

**Onward Technologies Limited**
Engineer – Pro-e – IT Support
**Location:** Pune
**Jobs ID:** 17314476
**Description:** 2-3 years of experience in supporting Pro/E applications: (IT related activities) Installation.

**Cybage Software Private Limited**
Java Professionals
**Location:** Pune
**Job ID:** 17183369
**Description:** Deep understanding of Object Oriented Design and Programming, Tomcat, JavaScript, Spring etc.

**Applied Micro**
Senior DFT Engineer / Lead DFT Engineer
**Location:** Bengaluru / Bangalore
**Job ID:** 17194432
**Description:** Responsible for SCAN, MBIST and JTAG implementation, verification, vector generation and ATE post-silicon debug for complex 40nm and 28nm Transport products.

**NIIT Technologies Limited**
Dotnet Developer
**Location:** Mumbai
**Job ID:** 17297530
**Description:** Technical skills required, SQL Server 2005/08, Asp.net with C#, web service, Optional - SSRS, SSIS.

**IMSI India Private Limited**
Remote Support Engineer
**Location:** Mumbai
**Job ID:** 17284394
**Description:** Installation / configuration and troubleshooting in Windows and MS outlook.

**NCR Asia Pacific Pte Ltd**
Senior Software Engineer
**Location:** Gurgaon
**Job ID:** 17263611
**Description:** Must have experience in Core JAVA/J2EE and Advance Java, JAVA and J2EE design pattern, MVC and MVC2 design pattern.

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**KRM Global**
Sales Manager
**Location:** Mumbai, Bengaluru / Bangalore
**Jobs Id:** 17301781
**Description:** Responsible for going out in the field to source new key and Contacting and meeting prospective clients to generate new lead etc.

**Cynosure Corporate Solutions**
Sales Executive
**Location:** Chennai
**Jobs ID:** 17314496
**Description:** Must have 1-2 years o experience in Automobile Industry.

**iQuest Management Consultants Private Limited**
Business Development Manager
**Location:** Pune
**Job ID:** 17299175
**Description:** 4+ years' experience as BDM, With cold calling international experience, Candidates worked on revenue targets.

**Pragati Corporate Consultancy**
Territory Sales Manager- General Trade
**Location:** Bengaluru / Bangalore
**Job ID:** 17297491
**Description:** Responsible for Retail & Distribution Channel, Team handlin experience, Maintain good relationship wit Channel Partner, Ready to Travel.

**Global Connections Manpower**
Sales Coordinator/ Marketing Coordinator
**Location:** Delhi
**Job ID:** 16186716
**Description:** Excellent communication in Hindi & English (both written & verbal), Good hands on experience.

**Vitasta Consulting Private Limited**
Area Sales Representative
**Location:** Gandhinagar
**Job ID:** 17314511
**Description:** Responsible for sales volun for all businesses within your geographic area.

**Servocraft HR Solutions Private Limited**
Sales Development Executive
**Location:** Chennai
**Job ID:** 17311791
**Description:** Should have minimum 1 – 3 Years experience in FMCG Background.

**Sukhvarsha Management services Privat Limited**
Regional Sales Manager
**Location:** Delhi, Gurgaon
**Job ID:** 15989710
**Description:** Handling direct customer b providing service and sale support. Managin the sales in North Zone & responsible for th Regional performance.

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**HINPA Incorporation**
Finance Manager
**Location:** Ankleshwar, Bharuch
**Job ID:** 17312378
**Description:** Experience in Preparation of Trial Balance Sheet & Ledger, Finalization of Accounts, MIS report Preparation, Knowledge of Taxation (VAT, CST, TDS etc).

**dEEVOiR Consulting Services Private Limited**
Associate Manager - Credit Risk
**Location:** Mumbai
**Job ID:** 17312888
**Description:** 4 to 6 years of diverse experience in Credit Administration, Treasury, Forex Management.

**Cognizant Technology Solutions India Pvt Ltd**
Subject Matter Expert - GL - R2R
**Location:** Hyderabad / Secunderabad
**Job ID:** 17311111
**Description:** Sound accounting knowledge, especially in areas of reconciliation, Basic working knowledge in MS office especially MS excel.

**WNS Global Services Private Limited**
Accounts Officer- AP/AR/GL
**Location:** Mumbai
**Job ID:** 16290505
**Description:** Excellent Communication skills, Willing to work for night shifts, Cash Applications/Billing, Worked on Excel-Hlook up,V look up,pivot tables.

**HR House**
Accounts Assistant - Fresher
**Location:** Bengaluru / Bangalore, Chennai
**Job ID:** 16685955
**Description:** Handling all Accounting entries, CTC, Payroll, VAT, CST, Service Tax, MIS Reports, TDS & Tax Planning for Employees.

**Replicon**
Corporate Account Executive
**Location:** Bengaluru / Bangalore
**Job ID:** 14518883
**Description:** Effectively manage all of your assigned leads while managing a sales pipeline to achieve sales targets on a monthly and quarterly basis.

**Verizon Data Services India Private Limited**
Manager-Finance
**Location:** Hyderabad / Secunderabad
**Job ID:** 17271949
**Description:** Minimum of 5 years of core Accounting / GL experience is must.

**Cygnus Staffing Solutions**
Accountant
**Location:** Bengaluru / Bangalore
**Job ID:** 17270445
**Description:** Day to Accounts, General Ledger, Taxation, Audit, Banking, Preparing records like Asset, Liability, Revenue, and Expenses entries by compiling and analyzing account information.

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Sundar Pichai
CEO, Google

## Alpha Bets on Sundar Pichai

Google has come up with a new algorithm, and India is written all over it. The search giant has elevated **SUNDAR PICHAI**, the Chennai-born executive and IIT Kharagpur graduate, as its new CEO. This time the computing of co-founders Larry Page and Sergey Brin is bang on target as Pichai was believed to have been a contender for the CEO's role at Twitter.

Google's corporate restructuring plan also included the formation of an umbrella company, Alphabet.

After Satya Nadella's elevation as the CEO of Microsoft and Shantanu Narayen's appointment as Adobe CEO, people of Indian origin are now running some of the most powerful companies in the world. While it is not clear how much Pichai would be paid for his new role, it is safe to say he is likely to be one of the highest paid executives.

REUTERS

Subrata Roy (L)/Lalit Modi
Chairman, Sahara Group/
Ex-Chairman, IPL

## In a League

The name of former Indian Premier League chief **LALIT MODI** cropped up during Sahara chief **SUBRATA ROY**'s ongoing court case in the Supreme Court. In the course of recent hearings, the apex court was informed that Roy's London-based son Sushanto Roy told a US-based consultant to approach Modi when he came up with an offer to buy the group's stakes in New York's Plaza and Dream Downtown hotels for $800 million. Sahara counsel Kapil Sibal told the court about the recent offers received by the group, including for London's Grosvenor House.

It is unclear as to how this Sahara episode will play out, but the court has allowed its jailed chief to continue availing special negotiation facilities in a conference room at the Tihar jail complex till September-end.

## Realty Check

At a time when builders are staring at rising inventories and sluggish sales, **ANAND PIRAMAL**, Executive Director, Piramal Group ,and the main driver of Piramal Realty, is sewing up deals at a rapid clip, declaring his long-term plans from the rooftop. First, he roped in PE giant Warburg Pincus, which pumped in ₹1,800 crore into the real estate company, touted as the biggest FDI in the sector. Recently, the Wall Street investment bank Goldman Sachs stamped its approval of the company's expansion plans by picking up a ₹900 crore minority stake. Piramal has laid the foundation for world-class projects in and around Mumbai.

**Anand Piramal**
ED, Piramal Group

**Yusuffali M.A.**
MD, Lulu Group International

## Scotland Yard Busted

When **YUSUFFALI M.A.** landed in the UAE in the 1970s, he was just another Keralite looking for a pot of gold. The MD of Lulu Group International, a supermarket operator, has certainly found it. He recently picked up the historic Scotland Yard building, the Metrolpolitan Police Headquarter's at London's St James's Park (1829 to 1890) for a cool $171 million. He plans to turn the site into a luxury hotel, The Great Scotland Yard. All that has been retained of the grand original Edwardian building are the outer facades, while the interiors are being ripped off and redone to even create a vast basement complex.

**Harsh V. Lodha**
Chairman, Birla Corp.

## Cracks in the Deal?

Will the ownership dispute between the Birla family and the Lodhas scupper the ₹5,000-crore cement deal between Lafarge India and Birla Corporation's flagship M.P. Birla Group? Those tracking developments says that though the day-to-day affairs of Birla Corp. is managed by **HARSH LODHA**, its ownership is under legal dispute between the Lodhas and the Birla family, the original founders. The widow of M.P. Birla, Priyamvada Birla, had named the company's chartered accountant R.S. Lodha, Harsh's father, as the heir to her entire estate estimated at $1 billion. This is being contested by the Birla family.

If all goes well, Lafarge India's two cement units will be acquired by M.P. Birla Group. However, approvals from the shareholders as well as the court is required for the deal to be consummated.

COMPILED BY TEAM *BT*

Full interview with Adarsh Jatia at businesstoday.in/provenance-jatia

# "Privacy, view are important for HNIs"

Location and product are both equally important in luxury real estate development, says **Adarsh Jatia,** CEO and MD of Provenance Lands, which is developing the Four Seasons Branded Residences, in a conversation with **Chitra Narayanan**

SHEKHAR GHOSH

***The recent ₹202 crore sea-facing penthouse deal in Mumbai is the largest of its kind in the country. What commands such prices? Location?***

To the ultra HNI, the location and the actual product are both equally important. When you are talking about luxury, you should not have to compromise on either.

***So what is the product that the ultra HNI wants?***

A swimming pool, the apartment size must be large, the view should be great and privacy is paramount. We found that our customers care about privacy the most, but views were also very important. We actually designed our project keeping these two in mind. So we have only 26 apartments across 55 storeys. Windows in living rooms are 11.5 feet high.

***Any unusual requests from the home buyers?***

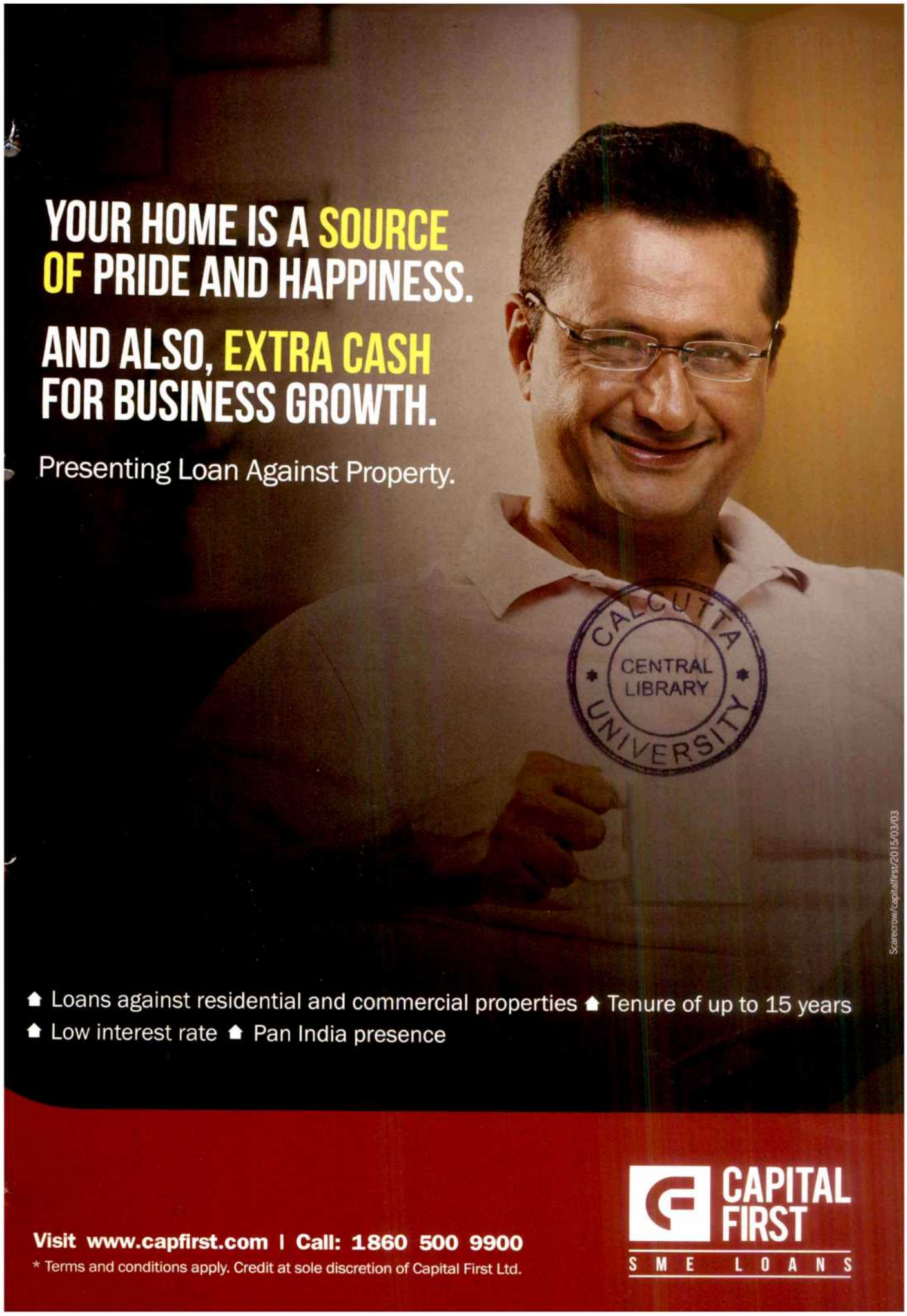
Plenty. A generous custom built, humidity controlled, shoe and handbag section within her very own walk-in wardrobe was one such request by a client. Built-in hair washing stations in dressing rooms was another.

***Reports suggest the ultra HNI is moving away from investments in real estate to other assets.***

I don't agree. For Indian HNI the favourite asset class is real estate. It is tangible, passed on from generation to generation and has always given good returns. Other asset classes come up as flavour of the season.

***Is luxury at a discount now in your sector?***

Discounting happens only in one-off projects where the developer is under pressure. ◆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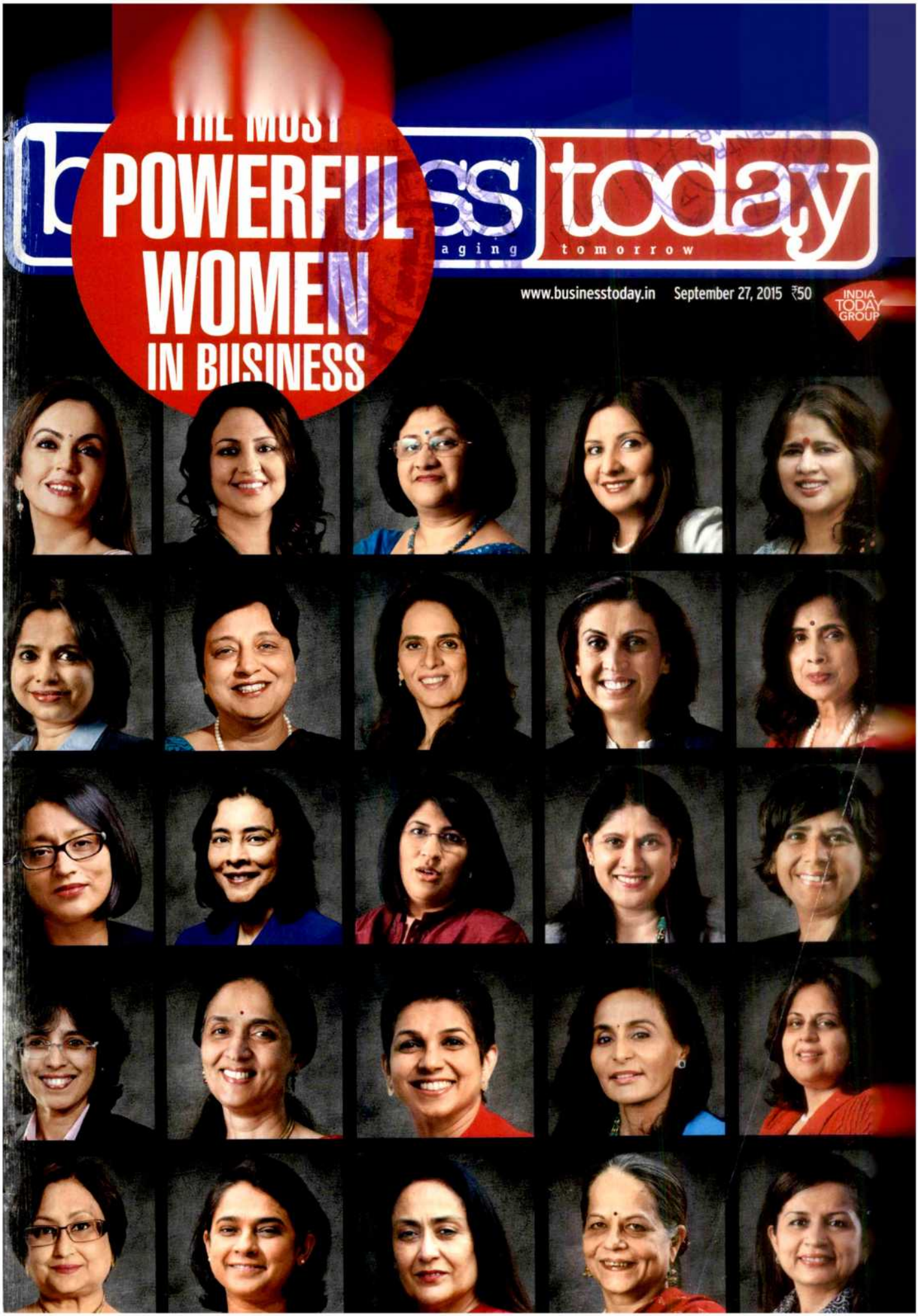
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# From the Editor

# Women of Substance

In 2003, *Business Today* started a new survey – to identify the most powerful women in Indian business. The idea was to choose and celebrate women who had reached the pinnacle of corporations and banks and were directing their destinies.

Since then, this annual survey has become one of our most popular listings. Over the years, we have refined our methodology and have also started applying far more rigour to choose our final 25 winners from a list of over 150 women achievers in the corporate world. Every year, the list sees several new entrants as more women make it to the pinnacle of their organisations. A few women drop out of the list because they have either retired or moved away professionally. And in some cases, some ladies have been removed from the list because they have been elevated to our Hall of Fame after winning the award for seven years. Each year, though, the shortlist of women achievers has become longer. When we first started our survey, the shortlist would not have been more than 45-50. Now, the shortlist alone crosses 140-150 names.

Being a woman and reaching the top of any business and running it successfully is tough in most countries. More so in India. Despite the enormous strides women have made professionally in almost every field, representation of women in senior management echelons is still very low. A recent McKinsey study showed that in India, less than four per cent of senior management is made up of women. At the entry level, roughly 25 per cent are women but by middle management, that gets whittled down to 16 per cent or so. This ratio is worse than that for almost all other Asian countries.

Still, India has produced a number of women who were trailblazers. Banking and finance has particularly thrown up a number of extremely high profile women achievers who have headed banks, run stock exchanges, or made their mark in areas such as deal making and private equity funding. The hospitality industry is another, with a number of remarkable women heading some of the finest hotel chains very successfully.

But other fields are also getting well represented. Nishi Vasudeva heads Hindustan Petroleum Corporation Limited, the public sector oil refining and marketing behemoth, and she has taken it from strength to strength. Similarly, women are heading high-profile corporations in information technology (Facebook, HP), law (Shardul Amarchand Mangaldas) and management consultancy (Capgemini).

Meanwhile, many of India's most prominent business houses are also recognising the role and capability of women in their families by handing over substantial responsibilities to daughters, nieces and daughters in law. But still the presence of women in India's management committees and boards is fairly low, though more women are shattering the glass ceiling every year.

Our jury members – Rahul Bajaj, Chairman of the Bajaj Group of companies; Kalpana Morparia, CEO of JP Morgan India; Sam Balsara, Chairman & MD of Madison World; and Janmejaya Sinha, Chairman of Asia Pacific of Boston Consulting Group – spent several hours one Saturday afternoon in August to discuss and debate the achievements of the various women achievers in our shortlist before arriving at the final 25.

Deputy Editor Alokesh Bhattacharyya and Senior Assistant Editor Sarika Malhotra anchored the issue.

Prosenjit Datta

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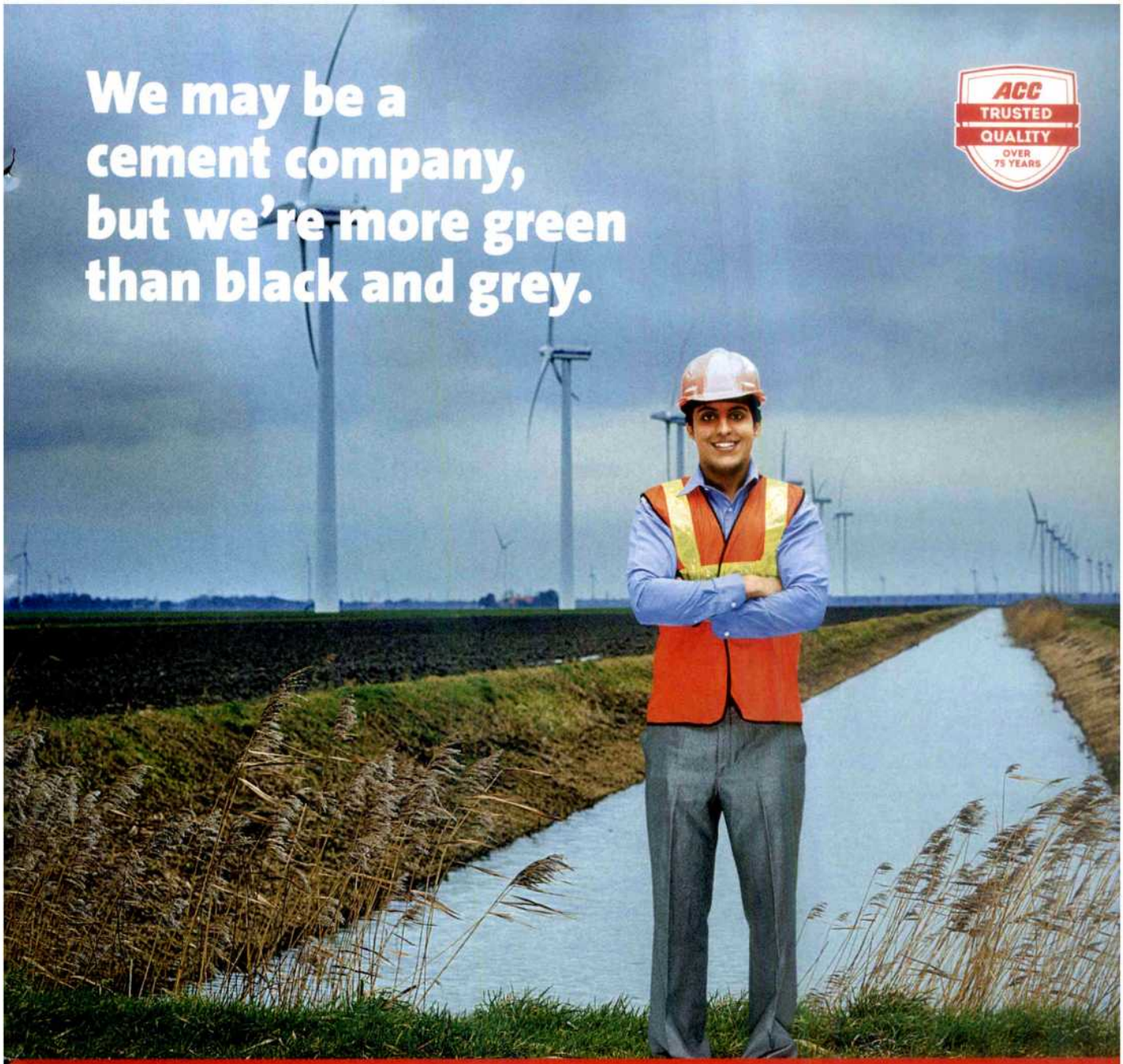


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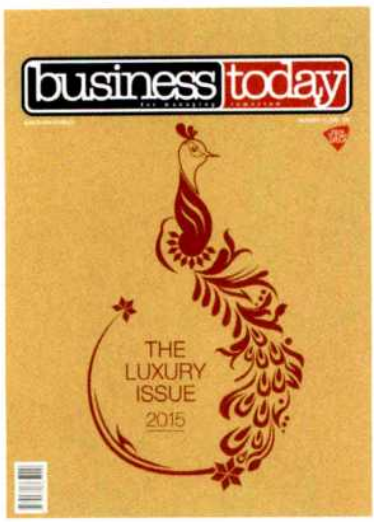


## Mind-boggling Collections

This refers to your special issue on luxury (September 13). Well, luxury means different things to different people. I tried a Google search on "luxury" images and the results included a gold-plated shower-head, Rolls-Royce Phantom, a jewel-studded palm tree and a villa exterior – just to name a few. "Some people think luxury is the opposite of poverty. It is not. It is the opposite of vulgarity," according to Coco Chanel. Says US fashion designer Michael Kors: "For me, true luxury can be caviar or a day with no meetings, no appointments and no schedule." All said and done, I feel when the common man is feeling the pinch of high inflation, the *BT* team seems to be enjoying an awesome sense of humour by coming out with a Luxury Issue, as if to divert the common man's attention from the necessities of life. Reading about how the filthy rich and the famous simply splurge on things they want/desire makes readers like me feel depressed to know what exactly they are missing. However, the luxury collection was, indeed, mind-boggling. Kudos to the *BT* family for bringing out a fabulous edition.

**J.S. Broca,** *New Delhi*

## Revolution in Banking Sector

This refers to your article on payments banks (*Changing the Game*, September 13). The Reserve Bank of India's (RBI's) in-principle nod for 11 payments banks – which include the country's two major telecom players, three large corporate houses and others – has already created a revolution in the banking sector. The most surprising is the selection of National Securities Depository Ltd against some popular names like Pay Point and Mobikwik Systems. Under the RBI's differentiated banking approach, these payments banks can give stiff competition to retail banks in India.

**Ankur Chopra,** *Pune*

## GM's Barra Deserves Rich Encomiums

This refers to an interview with Mary Teresa Barra, CEO of General Motors (August 30). It was an excellent interaction. GM's indication that 20 per cent of the global investment is being earmarked for India despite its move to close down the plant in Gujarat stresses the fact that India is still in the list of desired destinations for substantial investment. Its target of 30 per cent Indian volumes through the Talegaon plant for export must be complemented with certain regulatory relaxation, fetching increased foreign exchange to India. The company's apprehension about manufacturing electric vehicles in India is misplaced. In fact, the government must give tax holidays for such an endeavour so that GM is able to compete with Mahindra, resulting in advantage to consumers. Barra's unassuming attitude towards her leadership engagement and her honest advice for education of the youth deserve rich encomiums.

**B. Rajasekaran,** *Bangalore*

## Enjoying Low Fares, Comfortable Rides

This refers to your feature on the ongoing changes in the taxi sector (*Taxi Wars*, August 30). Technology has revolutionised the operating models in almost each sector. So, it is no surprise that even the taxi sector is now a part of it. Today, it is all about apps, shifting the power to the consumer. Many players are jostling for a slice of this lucrative pie. The challenges ahead are many. The first one is retaining cab drivers. Ask any cab driver and he has multiple apps on his phone. He switches the one which helps him earn more. While that sounds correct from their point of view, it also gives them a sort of power to muscle the company into paying more. We never know when a market leader may be toppled by a new entrant. Or, probably a new model could change the dynamics of this sector. Till then, let us sit back, enjoy the low fares and comfortable rides, and witness the change.

**Gaurav Gupta,** *Pune*

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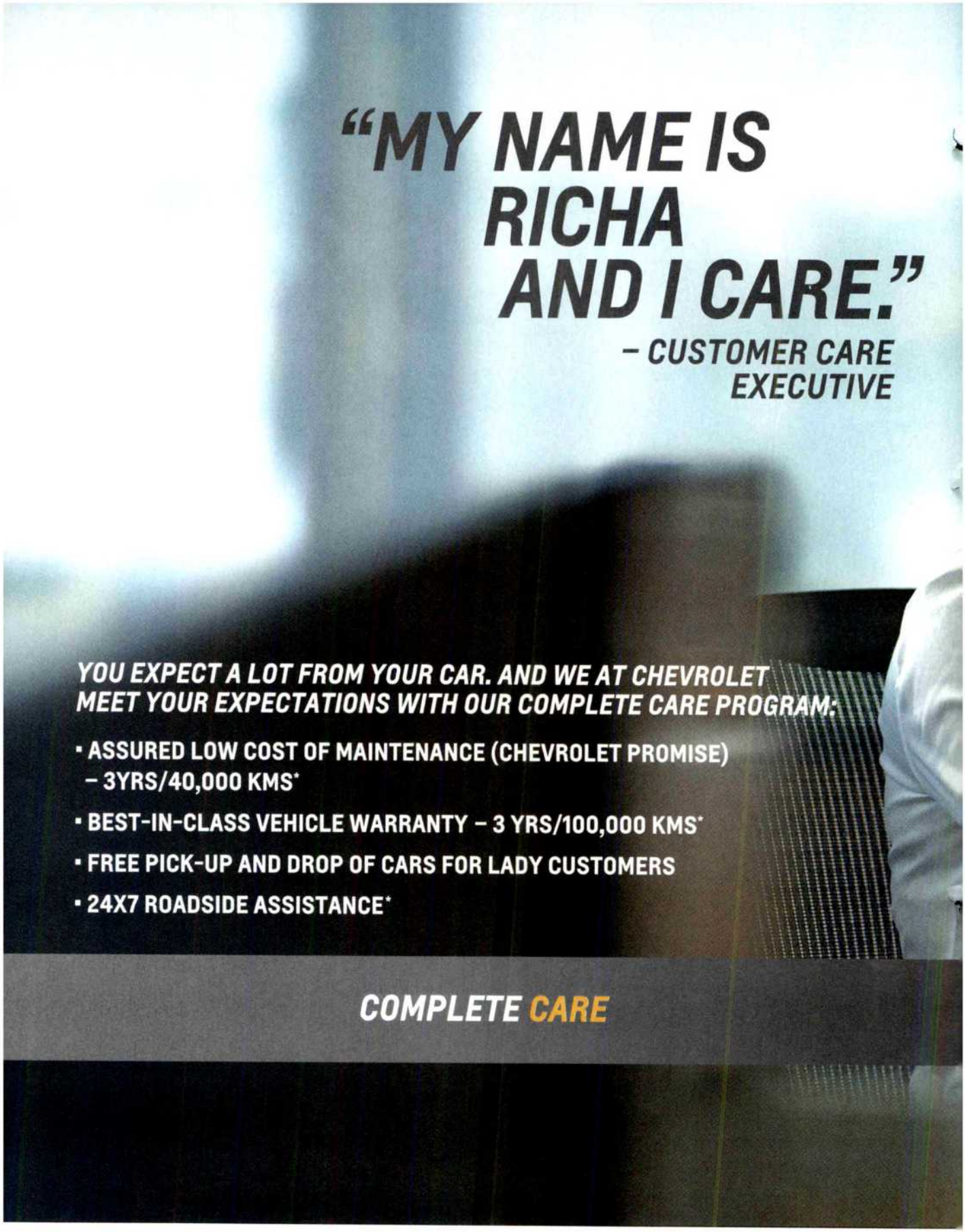


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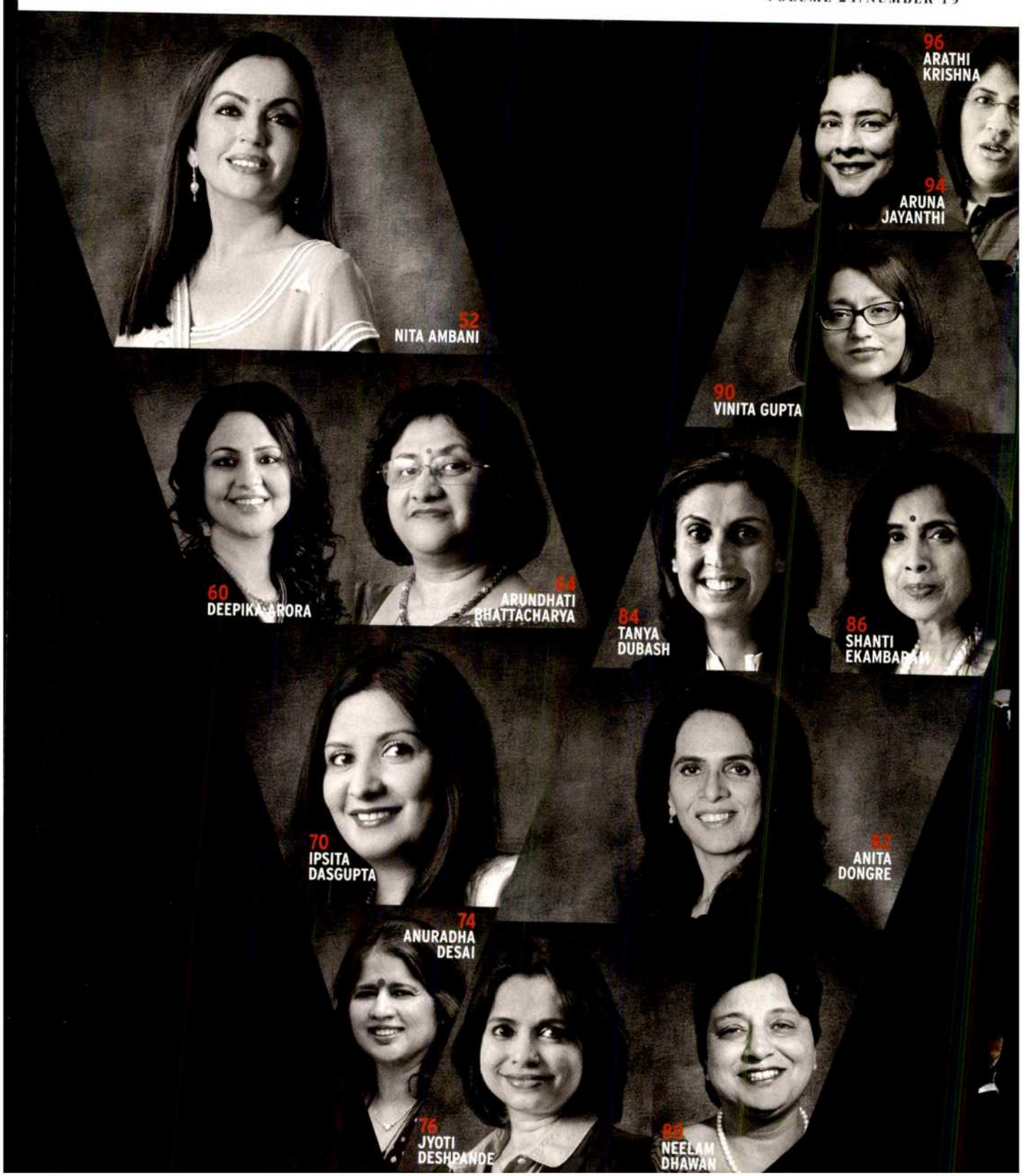

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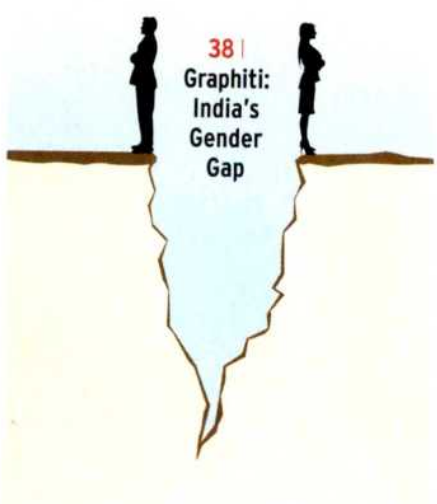


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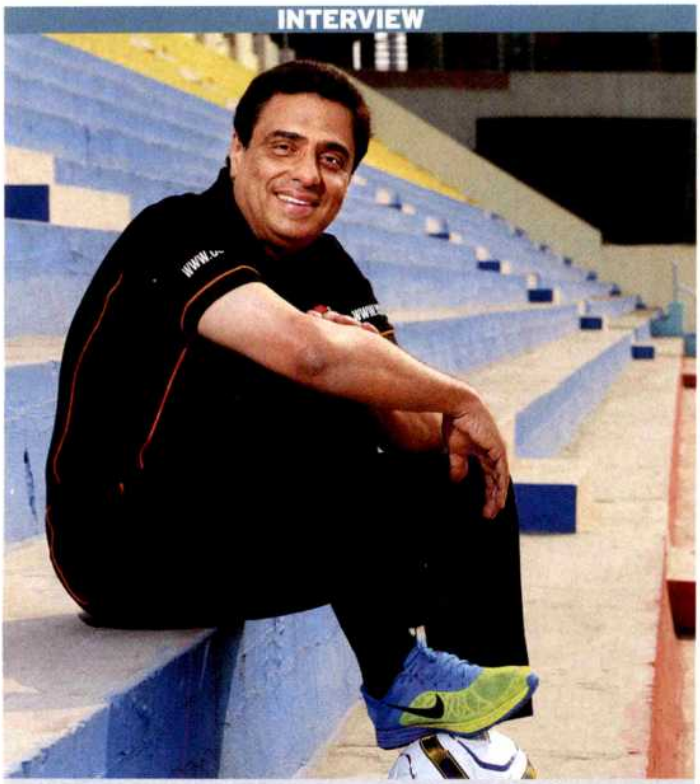

**"Online education is casual, that is the challenge"**
Serial entrepreneur Ronnie Screwvala and Mayank Kumar, former investment professional at venture firm Bertelsmann India Investments, speak with **Taslima Khan** about their new education venture UpGrad.

businesstoday.in/upgrad-screwvala

**"Will take on India when we consider ourselves ready"**
Neeraj Chauhan, co-founder and CEO, Obi Worldphone, and a serial entrepreneur who has run IT and telecom distribution companies, explains the strategy of the new Obi brand to **Manu Kaushik**.

businesstoday.in/obi-chauhan


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Mega trade pact RECP to miss 2015 deadline
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Chinese smartphone vendor Meizu MX5 launched for ₹19,999
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Plantronics launches two wireless Bluetooth headsets in India
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Odisha unveils new industrial policy
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Mercedes to launch AMG GT later this year for ₹3 crore
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Alcatel OneTouch launches its first tablet POP 8S in India
businesstoday.in/alcatel-onetouch

## COLUMNS

**Expanding the Web**
Private-public partnership is key to public Internet access, says **Vishal Jain**, Partner, Ernst and Young Advisory.
businesstoday.in/ey-jain

**Time for Ctrl-Alt-Del?**
**Prashant Bhatnagar**, VP, Hiring and Staffing, SapientNitro India, says as HR, it is up to us to redefine the remit of the role and be the change before someone else changes us.
businesstoday.in/sapientnitro-bhatnagar

## GADGET REVIEW

**iBall mSLR Cobalt 4**
is a brilliant camera let down by average performance
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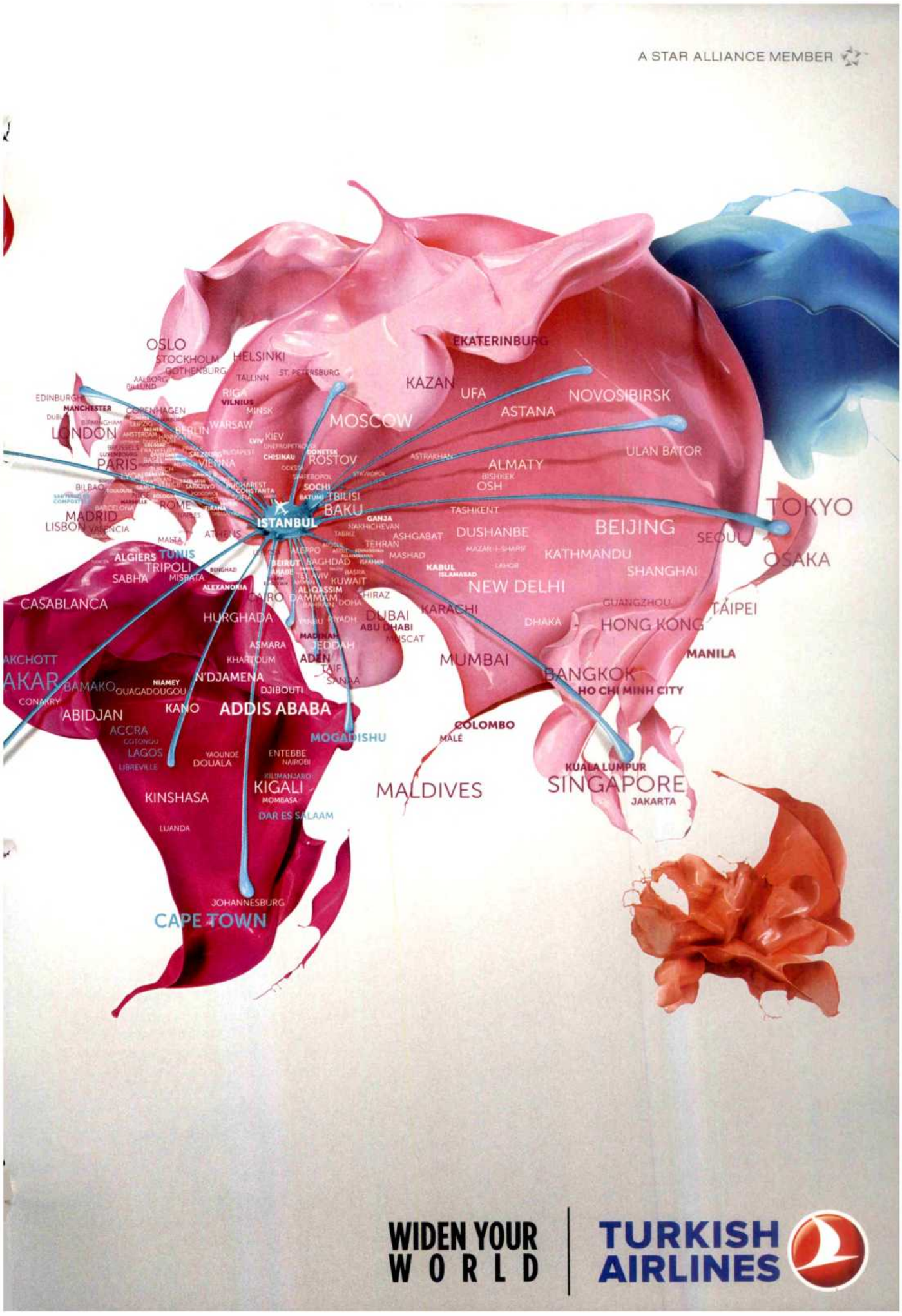


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"India is one-fourth to one-fifth of China's size. Even if we can overtake China in terms of growth rate, the magnitude of the effect will be far smaller for a long time to come"

RBI Governor Raghuram Rajan in an interview to the BBC. World Bank data shows China's GDP is over $10 trillion, compared with India's $2 trillion, and $17 trillion of the US

## ₹9,379 CRORE

**The amount mopped up by the government from the recent Indian Oil share sale, the biggest this fiscal. LIC pumped in an estimated ₹8,000 crore to pick up IOC shares in the divestment programme. Its stake in the company has gone up to 11.11 per cent from 2.52 per cent earlier**

### UNDER PRESSURE

Brazilian President Dilma Rousseff is in the dock for allegedly doctoring government accounts last year to hide the deterioration of the country's finances. She is alleged to have delayed 40 billion reais ($11.50 billion) in social payments to artificially bolster fiscal accounts. If found guilty, she faces impeachment

### £950 MILLION

It's a Beautiful Day indeed for Bono whose Facebook shares fetched nearly £1 billion, more than his earnings in a career spanning nearly four decades. In 2009, the U2 frontman picked up 2.3 per cent share in the social media network for £56 million. He edged past Beatles' Sir Paul McCartney (£730 million) as the world's richest pop star

**India's rank, in a list of 21 countries, for its financial and digital inclusion efforts, according to the latest Brookings Financial and Digital Inclusion Project Report and Scorecard. The countries received scores and ranking based on 33 indicators spanning four dimensions: country commitment, mobile capacity, regulatory environment and adoption**

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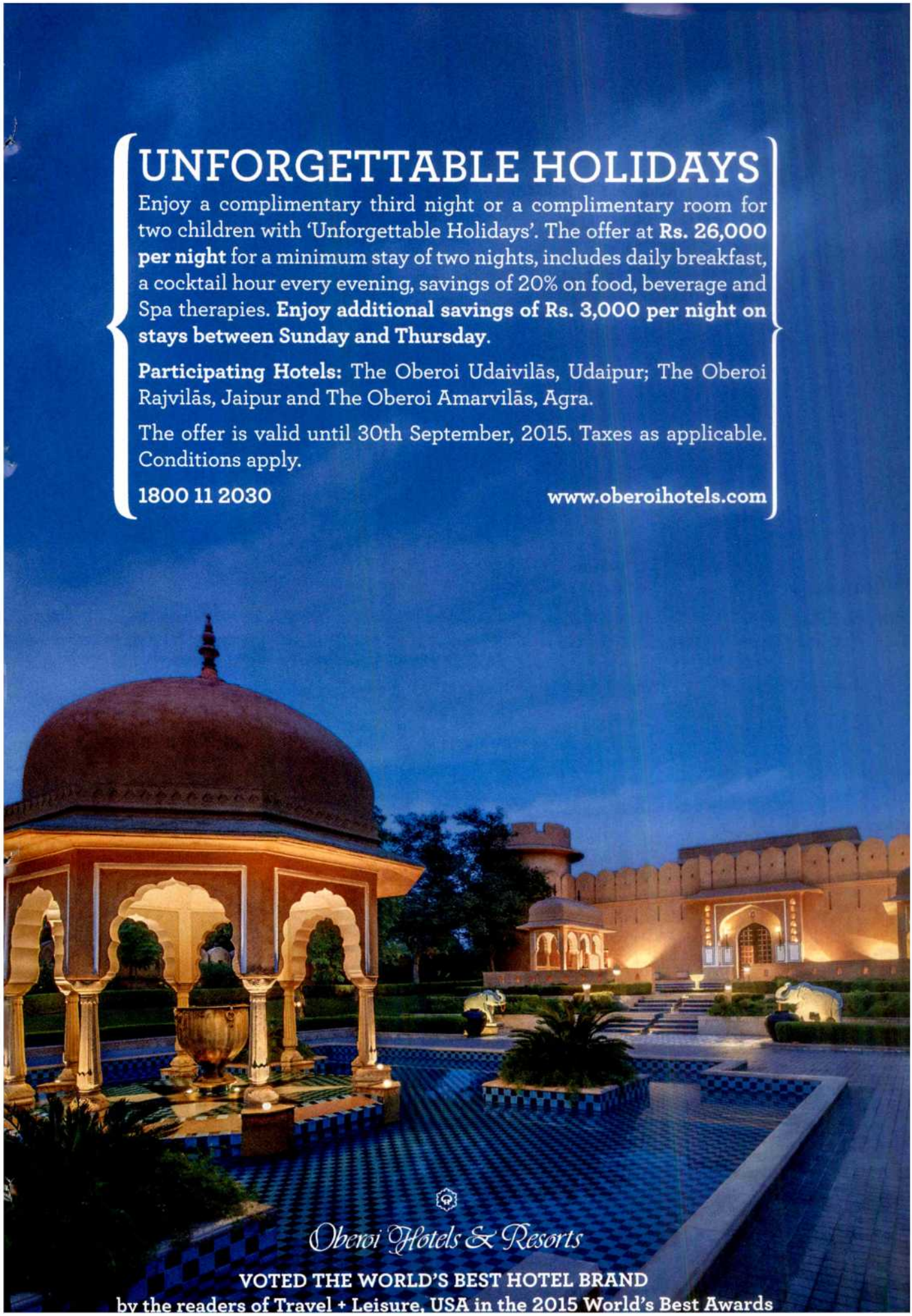

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## SKILLING INDIA

**WHAT:** Report on jobs generation
**WHEN:** Mid-September

**WHAT TO LOOK FOR:** The NITI Aayog's sub-group of chief ministers on skill development will submit a report to Prime Minister Narendra Modi. The report is likely to suggest ways on improving credit and marketing linkages to improve job generation. There is a big support for overcoming shortage of trainers by involving the industry and national level institutions such as IIT, IIM and universities.

AJAY THAKURI

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## DRAFT LEGISLATION

**WHAT:** Goods and Services Tax legislation
**WHEN:** By September 15

**WHAT TO LOOK FOR:** The government will ready the draft legislation – central GST law, state GST law and integrate GST law – by September 15, said revenue secretary Shaktikanta Das.

1

## FOCUS ON SMALL BANKS

**WHAT:** Small bank licences
**WHEN:** September

**WHAT TO LOOK FOR:** RBI Governor Raghuram Rajan has said licences for small finance banks would be announced in September. There are 72 applications for small finance banks. These banks, like existing commercial lenders, will take up basic banking activities of accepting deposits and lending to unserved and underserved sections.

11

## ALL EYES ON SINGAPORE

**WHAT:** Singapore snap polls
**WHEN:** September 11

**WHAT TO LOOK FOR:** Prime Minister Lee Hsien Loong is seeking a new mandate from voters worried over immigration and the high cost of living. Despite a slowing economy, the People's Action Party, which has ruled for more than 50 years, is expected to keep its overwhelming majority in parliament against a fragmented opposition.

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## MARAN'S CASE

**WHAT:** Dayanidhi's bail
**WHEN:** September 14

**WHAT TO LOOK FOR:** The Supreme Court has stayed the Madras High Court order cancelling former Telecom Minister Dayanidhi Maran's anticipatory bail. The apex court has asked the CBI to respond to Maran's challenge. The next hearing is scheduled for September 14.

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# FOCUS

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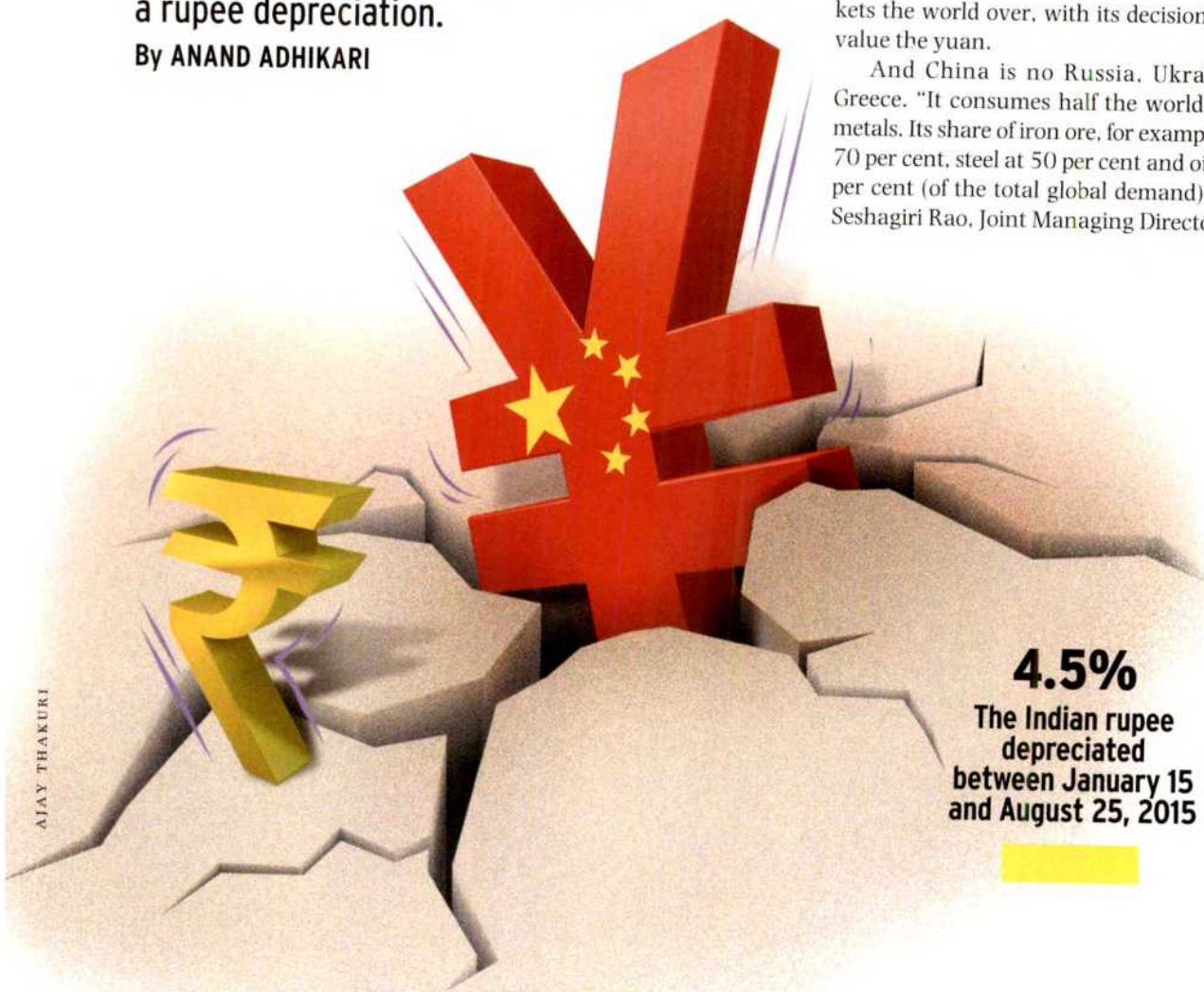
# The Dragon Yuans!

**China's surprise devaluation of its currency and likely rate hike by the US Fed have aggravated the risk of a rupee depreciation.**

By ANAND ADHIKARI

One year ago, the Russia-Ukraine conflict had put the global financial markets in a tizzy, sending shivers down the spine of currency investors. The Greek crisis, which had thrown the currency markets out of gear almost six years ago, also came back to haunt the markets three months ago, but a last-minute bail out by the Eurozone countries somewhat salvaged the situation. Now, Asian economic powerhouse, China, is the epicentre of a fresh crisis that has rattled the currency and stock markets the world over, with its decision to devalue the yuan.

And China is no Russia, Ukraine or Greece. "It consumes half the world's base metals. Its share of iron ore, for example, is at 70 per cent, steel at 50 per cent and oil at 10 per cent (of the total global demand)," says Seshagiri Rao, Joint Managing Director, JSW



AJAY THAKURI

**4.5%**

**The Indian rupee depreciated between January 15 and August 25, 2015**

Read column by Richard Iley of BNP Paribas at businesstoday.in/bnp-iley

Steel. The world's second largest economy, after the US, has been a growth engine during the past decade, surging ahead with 10 per cent-plus growth. Now that the world has created huge capacities in the commodity space to meet Chinese demand, the Asian giant is growing at almost half its earlier growth rate.

## Currency War

The saying goes: If China sneezes, the world catches a cold. And, the biggest consumer is already creating ripples in the commodity market. The crash in prices is making matters worse for many export-dependent economies, as foreign investors are exiting in hordes.

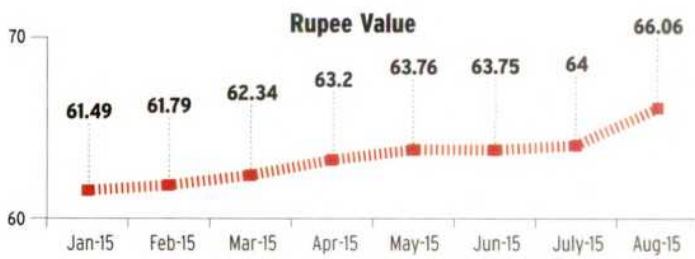
China's slowdown has hit the world at a time when the US is showing signs of a recovery, translating into a stronger dollar. As a consequence, Brazil's currency has depreciated 33.9 per cent since January 2015, Russia's rouble deflated 25 per cent, and the Indian rupee suffered a 4.5 per cent depreciation. (see *Widespread Depreciation*). However, China is not going to sit idle as it faces the worst-ever slowdown. It has built a large economy on an export-led manufacturing model, which contributes almost 30 per cent to the country's gross domestic product (GDP).

What is worrying the world's economy, however, is the drastic 4 per cent devaluation of the Chinese currency, which always had a fixed rate vis-a-vis the US dollar. In a challenging economic environment, the devaluation by China has the potential to set off an all-out currency war, with every country trying to adjust its currency to remain competitive in the exports market. "A gradual depreciation in the Chinese currency cannot be ruled out," says Prashant Jain, currency analyst, India Forex Advisors. "It is also using other tools, such as export incentives, tax sops and low interest rates, to remain competitive in the international market," he added.

But, should India worry if a currency war kicks off? Perhaps. One, China, and many other countries with weak currencies, will start dumping products into India. Two, exporters will feel the heat as they may not be able to compete in the global market. In recent times, Indian exports have plunged due to a slowdown in the US and Europe, the two largest markets it caters to. India competes directly with China in the global exports market in textiles, ready-made garments, gems and jewellery, base metals and engineering goods. Exports contribute almost 20 per cent to the country's GDP. But Reserve Bank of India Governor Raghuram Rajan has made it clear that he was not in favour of depreciating the rupee further. Experts argue that exports haven't jumped despite a gradual depreciation of the rupee from 54 to a dollar in 2011/12 to 62 in 2014/15. "What we need is higher productivity of labour, tax sops, low cost of capital and better infrastructure, " says an expert.

### LOSING SHEEN

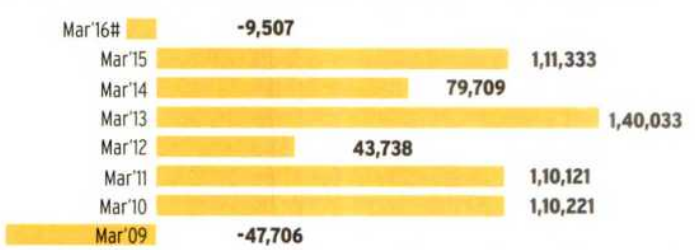
US dollar continues to strengthen against the Indian rupee




Month-end rate of 2015; December-end figure of each year; Source / RBI

### FIIs PRESS EXIT BUTTON

India had got substantial part of US Fed's quantitative easing money




₹ In Crore/# March'16 data is up to September; Source / NSDL data

Jain says India cannot afford to depreciate its currency further because of high inflation and, consequent, higher imported inflation. In addition, India's hands are tied as it cannot cut interest rates aggressively or offer tax sops because of fiscal constraints.

## Dollar Outflows

There is another danger for emerging markets, including India – the much-anticipated interest rates hike in the US. The Federal Reserve meeting is slated for September 16-17.

The world's largest economy had kept its

Read column by Seshagiri Rao of JSW at businesstoday.in/jsw-rao

short-term rates at near-zero levels since the financial crisis of 2008 to pump up demand in its economy. Short-term rates had fallen from 5.25 per cent in September 2007 to 0.25 per cent in December 2008. This was supplemented by a bond buying programme, or quantitative easing (QE), which released a massive $3 trillion into the US economy. According to an International Monetary Fund (IMF) estimate, emerging markets have received $4.5 trillion of gross capital flows between 2009 and 2012, out of which India received about $470 billion. "This money will now head back to the US as interest rates are set to move northwards," says a treasury dealer.

## WIDESPREAD DEPRECIATION

India may lose export competitiveness in the international market

| COUNTRIES | CURRENCY DEPRECIATION (%) |
|---|---|
| Brazil | 33.9% |
| Turkey | 25% |
| Russia | 17.2% |
| Mexico | 16.2% |
| South Africa | 12.7% |
| Indonesia | 12.2% |
| India | 4.5% |

Depreciation for period January 15 to August 25, 2015 Against US$; Source / CRISIL

The outflow of dollars from emerging markets will have far-reaching consequences on their respective currencies. In 1997, The East Asian currencies, including that of Thailand, Philippines, Malaysia and Indonesia, had witnessed massive depreciation after foreign institutional investors (FIIs) exited the stock markets en-masse. Two years ago, when the US Fed had decided to end the bond buying programme, emerging market currencies had also come under pressure. The rupee, too, had depreciated to 68 a dollar with foreign investors deserting the Indian markets. Now that the US is all set to hike interest rates, India must be prepared to hedge the rupee against the move.

**THE OUTFLOW OF DOLLARS FROM EMERGING MARKETS WILL HAVE FAR-REACHING CONSEQUENCES ON THEIR RESPECTIVE CURRENCIES**

### India's Dilemma

There are already signs of foreign investors pulling out of the Indian stock market. In the first five months of the current fiscal, it has seen a net outflow of close to ₹10,000 crore. Last year, net investments by FIIs were to the tune of ₹1.1 lakh crore (see *FIIs Press The Exit Button*). Over the last six years, after the US started QE, the Indian stock market has received average net inflows of over ₹1 lakh crore every year. "Certainly, there will be pressure on emerging markets after the US Fed rate hike. But the money will move out more from weaker economies," says D.K. Joshi, Chief Economist, Crisil.

India is growing at 7 per cent, but it needs to do a lot more. The RBI's decision to ease interest rates at a time when the US is mulling rate hikes, will translate into narrowing the difference in interest rates between the two countries. This would have a direct impact on non-resident fixed deposits and the debt market, which has witnessed a big jump in foreign inflows in the past 6-7 years due to higher interest rate differential. In 2014/15, the debt market inflows was at ₹1.66 lakh crore.

If FII money leaves the country, the rupee will weaken against the dollar, and India might have to take several unpopular measures to stem the dollar outflow. Rajan has reiterated that India has sufficient foreign exchange reserves ($350 billion). However, if there are external shocks, it might be difficult to protect the Indian currency following the huge speculative bets. Last week, Kaushik Basu, an economist at the World Bank, had said that India's foreign exchange reserves are not enough in case an exchange-related issue breaks out. Inflation, or imported inflation, as a result of oil imports during a currency depreciation, might create another stumbling block for the Indian economy.

However, a section of experts says it is not all gloom and doom for India. Unlike other commodity dependent economies, India is in a much better position because it is a consumption-driven economy. Says Keki Mistry, Vice Chairman and CEO, HDFC: "The economy has been growing robustly, fiscal and current account deficit is under control, inflation is down and the country has sufficient foreign exchange reserves to take care of any eventuality. India just needs to be a little more articulate in highlighting its strengths." ◆

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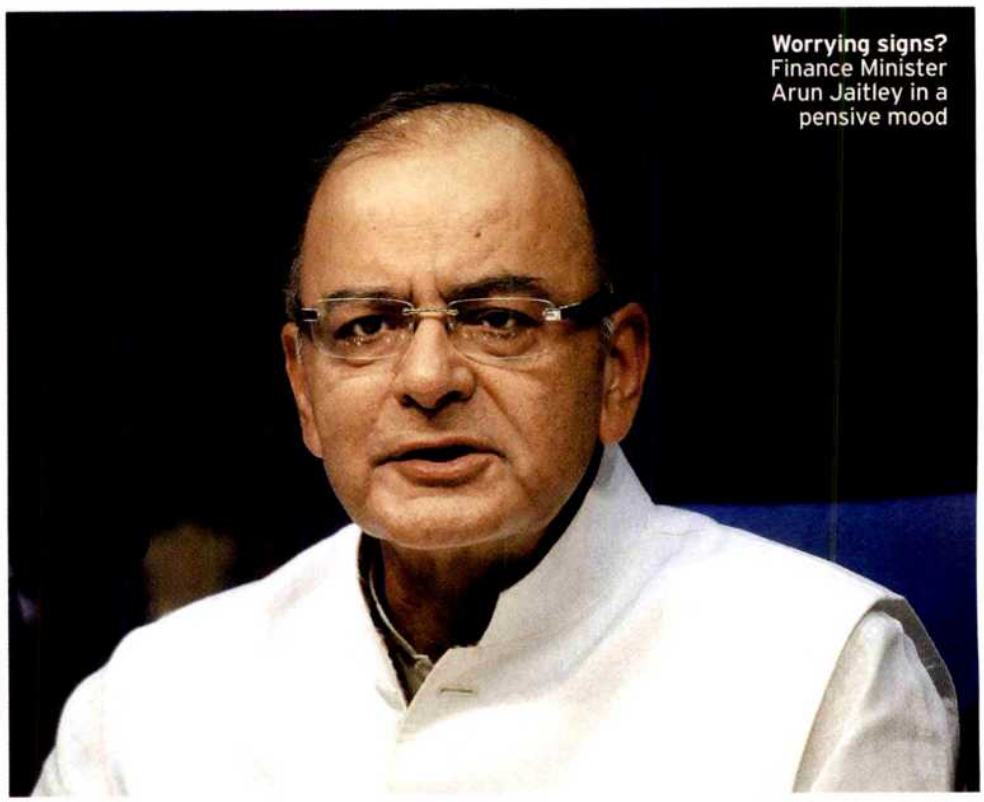
# Tough Ask

## Recent GDP growth numbers show that India has to do a lot more to take advantage of the global economic turmoil triggered by China. By JOE C. MATHEW



**Worrying signs?** Finance Minister Arun Jaitley in a pensive mood

YASHBANT NEGI

**INDIA CAN BE AN ALTERNATIVE INVESTMENT DESTINATION FOR COUNTRIES THAT ARE FACING ECONOMIC SLOWDOWN**

India's Chief Economic Advisor Arvind Subramanian was in the midst of delivering a lecture at the India International Centre, New Delhi, on August 31, when he received an update on the country's gross domestic product (GDP) growth rate for the April-June quarter on his mobile phone.

A brief interruption followed, as he scanned his mobile screen to see how India had faired on the GDP front. At 7 per cent, the GDP growth was better than the corresponding quarter of 2014/15, but slower than the 7.5 per cent it had clocked during the January-March, 2015, quarter. However, he decided to ignore the subject.

Resuming his talk, Subramanian continued to revisit and analyse the key postulates of the book *Eclipse: living in the shadow of China's economic dominance*, he had written four years ago. The discussion that followed the lecture organised by the Institute of Chinese Studies, revolved around China – whether the country, which was perceived as an economic powerhouse a few years ago, had lost steam, and how far the slowdown in China would impact the current global economic turmoil, and what it means for India's economic growth.

Immediately after the event, Subramanian had ducked media queries on how the ruling political leadership would look at the GDP numbers. However, while addressing a press conference on September 2, Subramanian said the GDP numbers suggest that India is moving towards deflation rather than inflation. The indirect hint was quite evident – the money supply should increase and the RBI should act. A demand that has been consistently made by the industry.

The broad picture emerging out of the GDP data, and other macroeconomic indicators,

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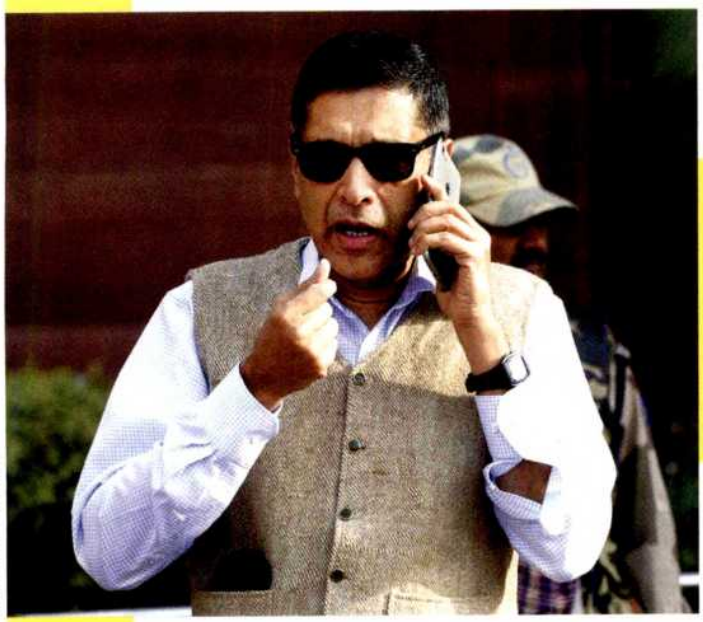
however, was clear. Export growth has been on a continuous decline for eight months in a row. As percentage of GDP, the share of exports has shrunk on a year-on-year basis during the April-June quarter. Factory production has slowed, as indicated by the fall in the Nikkei purchasing managers index (PMI) to 52.3 points in August from 52.7 in July.

In terms of gross value added during the first quarter of 2015/16, the manufacturing sector grew by 7.2 per cent as compared to 8.4 per cent in the corresponding quarter of last year. Official figures point out that private corporate sector growth, which has a share of around 65 per cent in the manufacturing sector, was slow, as estimated from available data of listed companies with the BSE and NSE. It was just 7.9 per cent at current prices during the first quarter of 2015/16, compared to 13.8 per cent in the first quarter of 2014/15.



SHEKHAR GHOSH

**"AT A STRATEGIC LEVEL, INDIA SHOULD BE STRENGTHENING MULTILATERALISM"**

Arvind Subramanian, Chief Economic Adviser, Ministry of Finance

In short, the numbers do not share the confidence shown either by Finance Minister Arun Jaitley or the country's chief economic advisor. They seem to be sure of India's economic resilience and its ability to hold out and grow in the midst of a China-triggered global economic slowdown. But what is the basis of Jaitley and Subramanian's confidence? Going by the responses Subramanian gave during his lecture, there could be several reasons.

One, as a net importer of commodities, the decline in commodity prices internationally, including that of crude oil can only benefit India. The fiscal leeway it provides to the government, if prudently utilised, can strengthen the country's economic fundamentals. For instance, if the money that would otherwise have gone for importing oil or coal can be channelised to develop renewable energy capacities, India would be less import-dependent when commodity prices begin to move up.

Two, India could be better placed because of its lack of development, rather than its capabilities. China is facing a problem of excess capacity in some areas. Similarly, there is a limit to which developed countries can rely on infrastructure development to trigger growth. On the contrary, sky is the limit for India when it comes to infrastructure growth, and developing manufacturing competitiveness and capabilities.

Three, India's limited presence in the international manufacturing supply chain could be an advantage. The country will not be affected as much as Taiwan if China cuts down its production as Indo-China trade is more about raw material export and finished goods import rather than component supplies. A global economic slowdown could help India develop indigenous capacity to first serve the domestic market, and then cater to the export market.

Four, India can also be seen as an alternative investment destination for countries that are facing an economic slowdown. Just imagine the push India's GDP would get if all the promised investments from China, Japan and the US are materialises.

Further, Jaitley derives his confidence from the government's expectations that its promised economic reforms are on track. It can boost investor confidence and turn India as one of the safest investment destinations.

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As often said, the Goods and Services Tax (GST) can boost the Indian economy.

However, none of these can happen overnight. "Even if you admit that the projected negative impact (for India) is exaggerated, the country cannot take a position that business-as-usual suits it fine," says Biswajit Dhar, Professor, Social Sciences, Centre for Economic Studies and Planning, Jawaharlal Nehru University. According to Dhar, all macroeconomic indicators suggest the vulnerability of India, rather than resilience. "India's manufacturing sector cannot take anymore shocks. This is the time to lay out a clear road map to develop manufacturing."

**"INDIA'S MANUFACTURING SECTOR CANNOT TAKE ANYMORE SHOCKS. THIS IS THE TIME TO LAY OUT A CLEAR ROAD MAP TO DEVELOP MANUFACTURING"**

Biswajit Dhar, Professor, Social Sciences, Centre for Economic Studies and Planning

Incidentally, some of the isolated responses from India could be regarded as movements in this direction. At least, that is what the response of the India-US Business Council (USIBC) to the central government's decision to avoid levy of minimum alternate tax (MAT), retrospectively, suggests. Hailing Jaitley's announcement that MAT will be applicable only from April 1, 2015, USIBC said it "demonstrates India's commitment to attracting long-term foreign investment into the country by providing greater tax certainty and ensuring ease of doing business for the global investment community".

If the MAT decision can be considered as a quick fix measure, more longstanding impact will be felt on India's decision to keep itself out of the move to expand the list of products covered under the Information Technology Agreement (ITA) of the World Trade Organization (WTO).

By doing so, India has retained its freedom to provide tariff protection (from cheap imports) to its domestic industry, which manufactures a host of new generation telecommunication products. Being a signatory to the original ITA since 1996, the Centre has no freedom to levy tariff on over 100 telecommunication products. This had resulted in the disappearance of those industries, and the reason why the government was cautious about ITA II.

There is a contrarian view on India's approach towards multilateral institutions, too. Experts, including Subramanian, say that the safest bet for India is to help build multilateral institutions. "At a strategic level, India should be strengthening multilateralism," observes Subramanian.

In fact, the country that gained most from the existence of WTO was China, because it was well prepared to defend its market and flood foreign markets with low-cost products. Therefore, the country's WTO membership enhanced its global access. Times have, however, changed, as we get to hear more protectionist voices from even the US. For India to replicate what China did would be difficult. But if it can, this could prove to be a turning point.

Until then, India will have a strong logic to remain resilient, but it may not have the wherewithal to do so. ◆

@joecmathew

**7%**
GDP growth rate in April-June 2015/16

**6.7%**
GDP growth rate in April-June 2014/15

**7.5%**
GDP growth rate in Jan-March 2014/15

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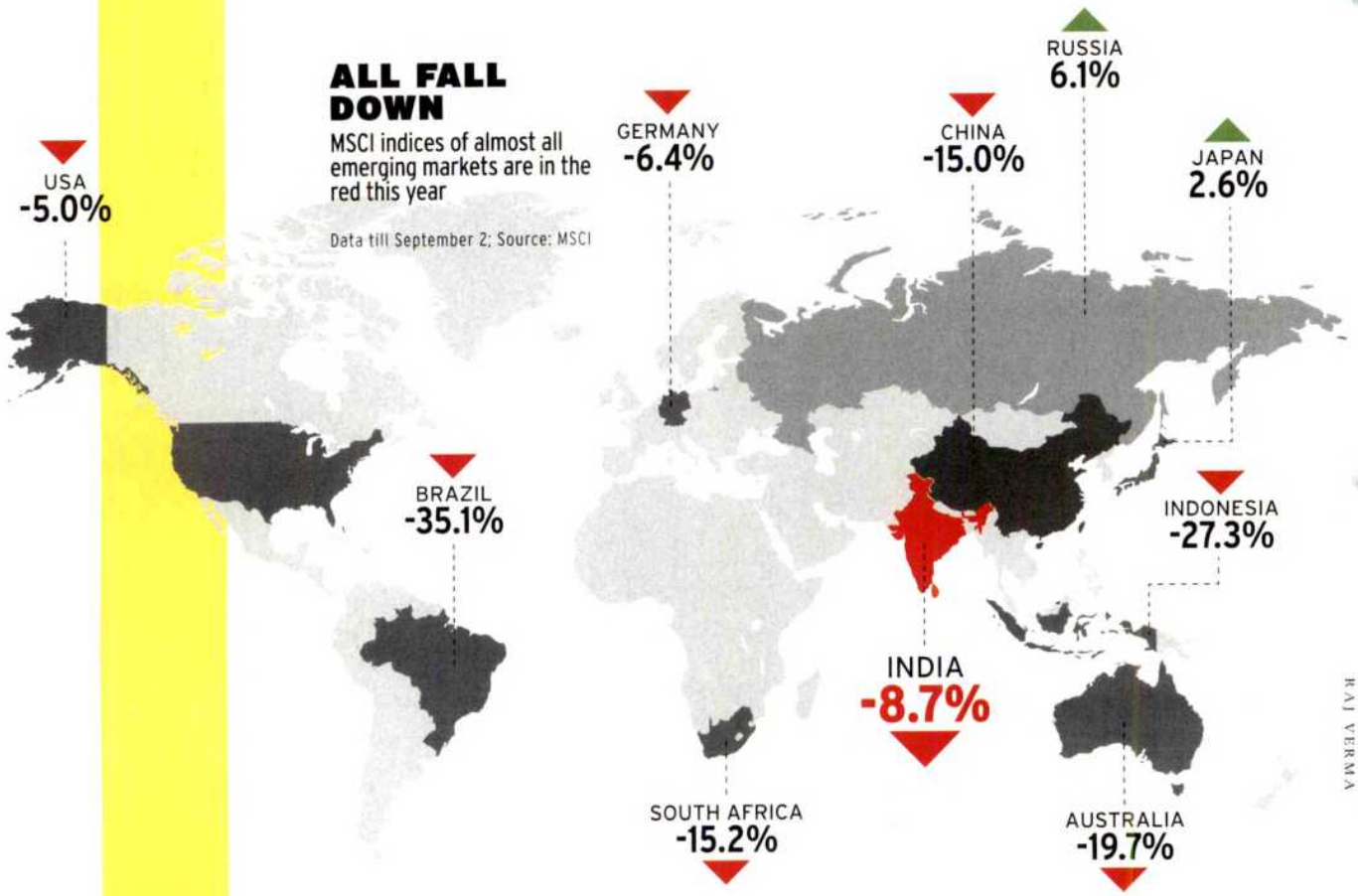



# Living with Volatility

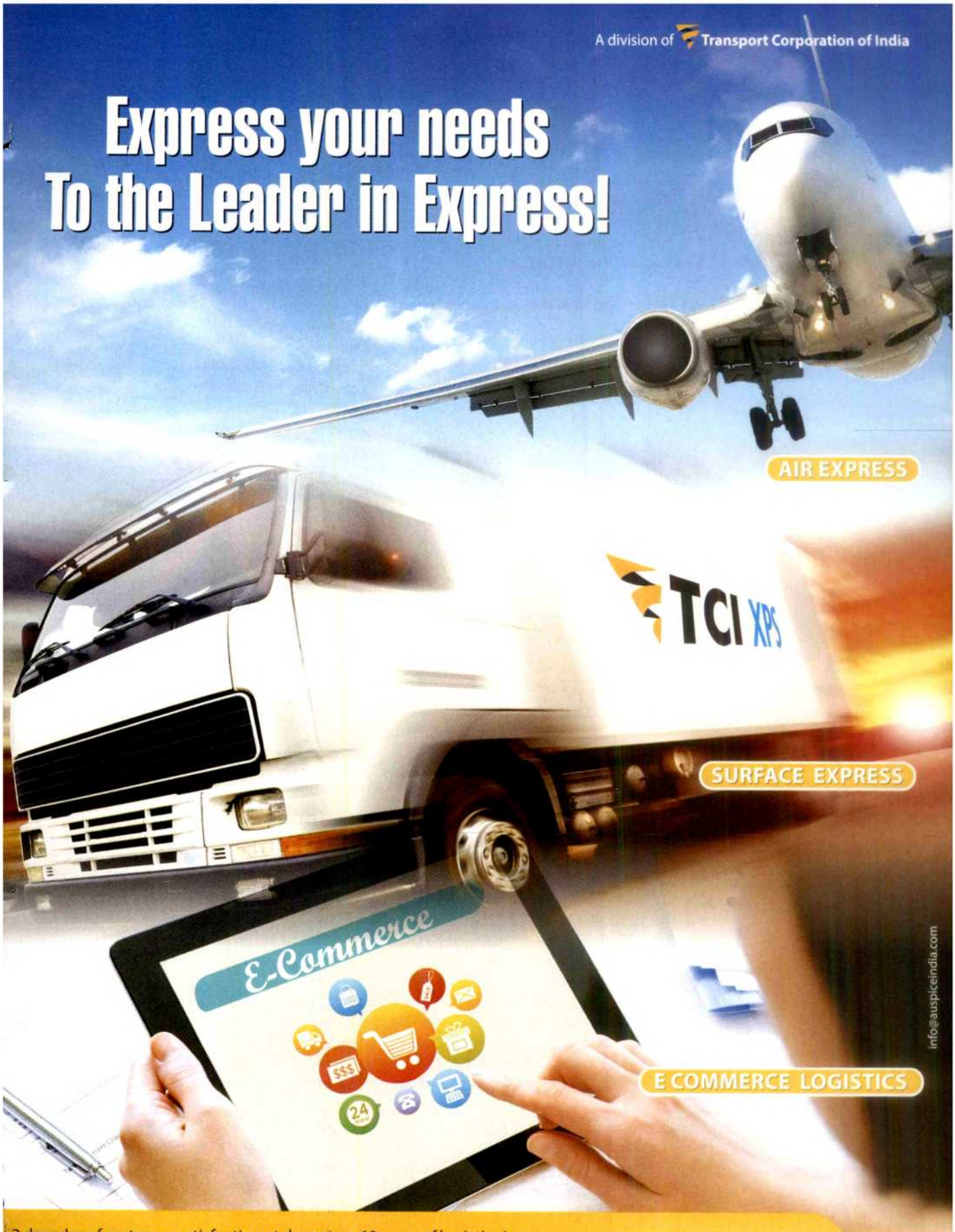
## Concerns over slowdown in China and the US Fed's rate hike will continue to put pressure on Indian stocks. By MAHESH NAYAK

**FIIs TOOK OUT OVER $2.5 BILLION FROM INDIA IN AUGUST, THE HIGHEST IN A MONTH SINCE JANUARY 2008**

The BSE Sensex has fallen nearly 10 per cent in the last one month following a global panic triggered by economic problems in China that have led to devaluation of the yuan. A weaker yuan will help exports from China, hurting other countries, including India.

Foreign institutional investors, or FIIs, took out over $2.5 billion from India in August, the highest in a month since January 2008. "Global funds are selling across emerging markets," says Vikas Gupta, Executive Vice President, Arthveda Fund Management. "Concerns about China's economy have made global as well as emerging market funds pare their exposure to the country. This has, in turn, impacted all emerging markets, or EMs, including India. The other reason is that EMs as a pack has not given good returns," he says. Barring Hungary and Russia, all countries covered by MSCI Emerging Market Indices are down 6 per cent to 53 per cent year-to-date (See *All Fall Down*).

The question everyone is asking is, what next? And, where are Indian markets headed in the short to medium term? "This is just the tip of the iceberg. The current commodity crisis is bigger than the 2008 global financial crisis. Then, the banking system had col-

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lapsed. Today, we are talking about countries," says Seshagiri Rao, Joint Managing Director and Group CFO of JSW Steel.

"Concerns about China are not small. The country is seeing a structural change from being export-driven to a consumption-led economy. This will take time. Until then, it will do everything to keep its exports competitive. In such a case, one can't be sure that China will not further devalue its currency," he says.

Though India may be better off than others due to healthy macroeconomic parameters, the sell-off by global funds will keep markets here volatile. One reason for this is the dependence on foreign funds flows.

"Going ahead, there will be a rebalancing in the emerging market pack. India will be a beneficiary but it will take time. There is a lot of uncertainty in the world. Till the dust settles, the big players would like to stay on the sidelines," says Gupta of Arthveda. China's weight in the MSCI Emerging Market Index is 25 per cent compared to India's 10 per cent.

Markets are also factoring in a rise in US interest rates. This is expected to encourage foreign funds to shift some money back home the US. "That the US Federal Reserve will increase rates is known. But with the global economy slowing, the quantum of the increases will be smaller. The Fed will move in a gradual manner," says Gupta.

S. Naren, CIO, ICICI Prudential Mutual Fund, says, compared to the time of the global financial crisis, India is today stronger than many other economies. "However, for our markets to rise, there has to be economic growth so that FIIs stay put. Today, growth seems to be slowing."

Rao of JSW Steel says that the government must generate jobs and fuel economic activity. "It will have to do some smart spending in a manner that it doesn't spoil the country's balance sheet and also keeps the wheels of economic activity moving, something like they are trying to do in the railways," he says.

"Once economic activity picks up and pressure on corporate balance sheets eases, private sector spending will also pick up, but until then it is for the government to spend," he adds.

Amid this gloom, there is one good news that the markets seem to be missing – crude oil prices have fallen towards $50 per barrel and are not expected to go beyond $65-70 per barrel. "Not just oil, supply of almost all commodities is higher than demand. I feel oil prices may slip further, which will be a big comforting factor for importing nations such as India," says Rao.

What about equity market investors? "Our view on equities doesn't change. We are buyers when the market falls. Last week's correction has made valuations of large-cap stocks attractive," says Naren of ICICI Prudential Mutual Fund.

Though domestic inflows into equities are comforting, the future trend will be dictated by foreign fund flows and global events. This means volatility. So, one must tread cautiously. "Stick to companies with positive cash flow and low debt. However, the most important factor is pricing. Don't buy a stock because its defensive as it may be costly," says Arthveda's Gupta, who feels investors, and not traders, will do well in the current uncertainty.

It is difficult to predict when the tide will turn. But one thing is clear. Investors will have to learn to live with volatility. ◆

*@MaheshNayak*

## MIXED PICTURE

India during the 2008 global financial crisis versus now

| | March 2008# | June 2015 |
|---|---|---|
| GDP Growth | 8.6 | 7.07 |
| Current account deficit | -1.3 | -1.3 |
| Fiscal Deficit | 2.5 | 4 |
| Consumer Price Inflation | 9.7 | 5.09 |
| Gross Bank Credit Growth | 19.3 | 8.6 |
| Rupee/$ | 39.8 | 63.29 |
| Crude oil ($ per barrel) | 103.28 | 55 |
| Repo Rate | 7 | 7.25 |
| G-Sec (10-year) | 7.95 | 7.75 |
| Unemployment Rate | 8 | 4.9 |
| Sensex* | 15,644.4 | 25,453.56 |
| FII investment (equity & debt) in ₹crore* | 66,179 | -13,398 |

*Figures as on March 31, 2008, and September 2, 2015; figures in per cent; # Fiscal year 2007/08; CPI inflation & GDP - Base year changed to 2009/10 from 2004/05; Source: NSDL, BSE, CMIE, Trading Economics

**THOUGH DOMESTIC INFLOWS ARE COMFORTING, THE FUTURE WILL BE DICTATED BY FOREIGN INVESTORS AND GLOBAL EVENTS**

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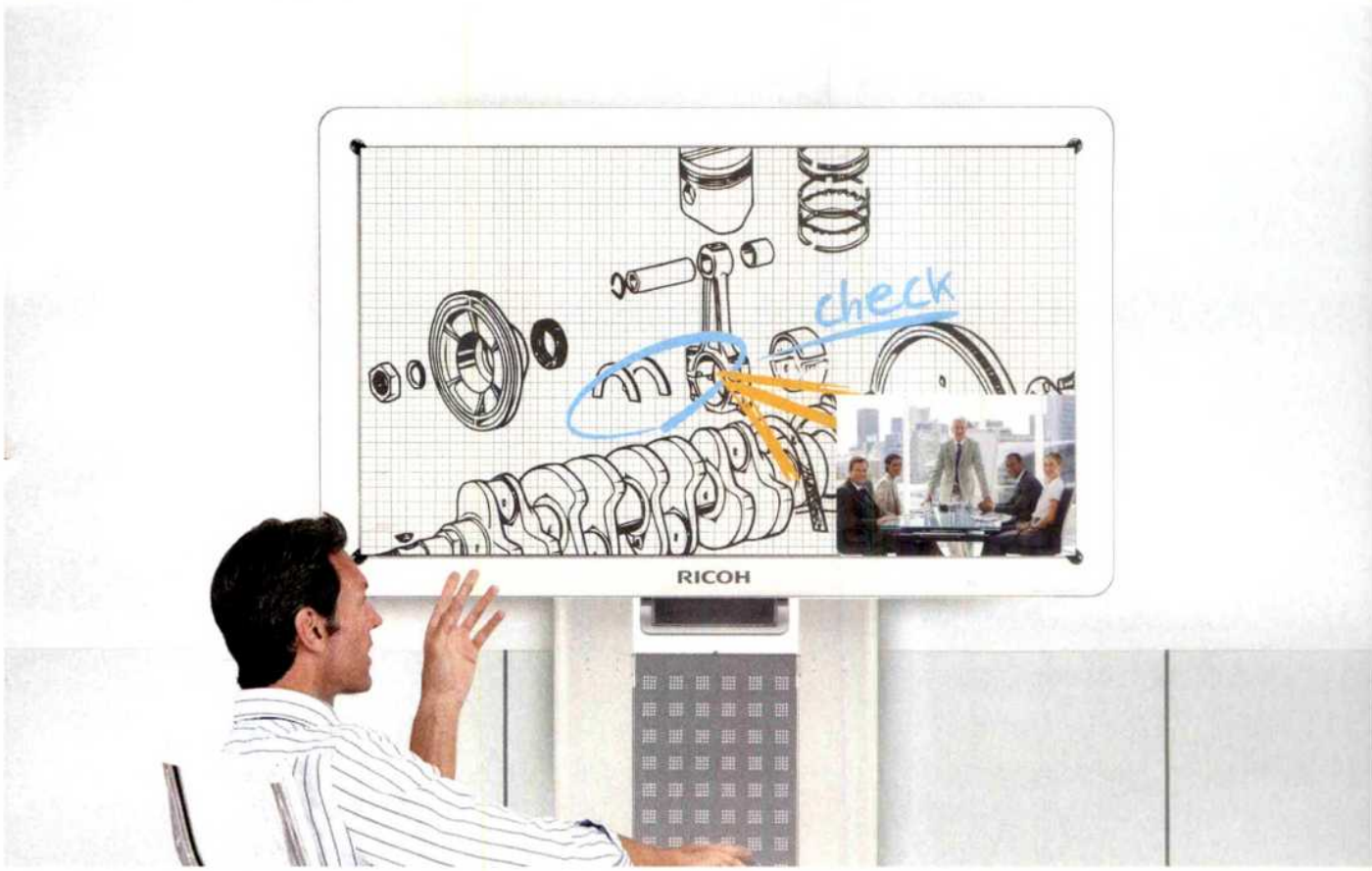
## Collaborating globally is Sameer's everyday business

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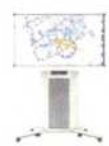
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# INDIA'S GENDER GAP

**Gender equality** at workplaces in India has been talked about for the past few decades but there is still **a huge difference** between salaries of male and female employees and few women reach the top management. A reality check.

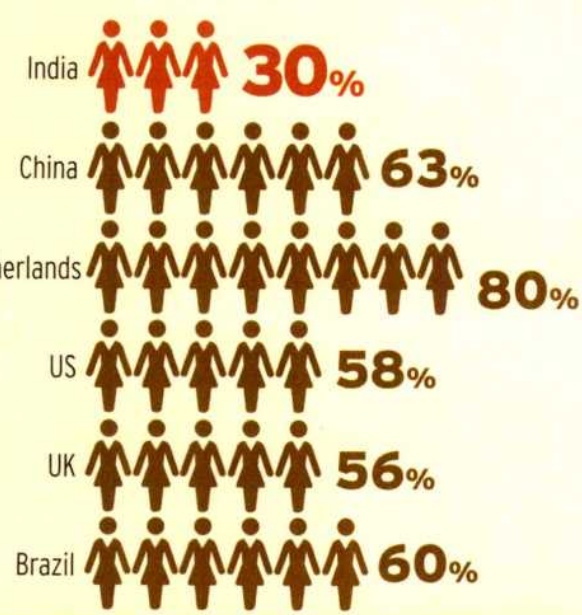
Graphic by:
**Anand Sinha**

Research by:
**Jyotindra Dubey**

Around 48 per cent of the Indian population is female, but the proportion of total female population that is economically active is at

## 30%

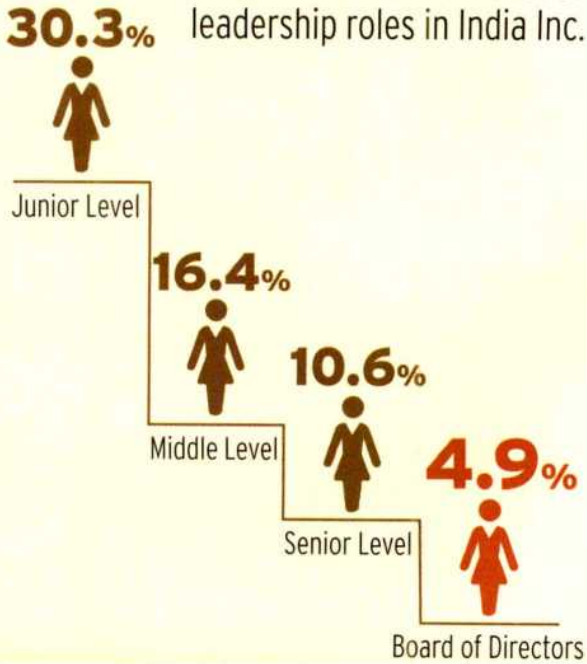
This is among the lowest in the world. China is better than India on this score.




Equally worrying is the fact that while 30 per cent of the junior level employees are women, the number drops to

## 11%

if we look at senior level or leadership roles in India Inc.



## Women employees get far less pay than their male counterparts. The highest gap in average gross hourly wage is in healthcare and manufacturing sectors

| | MALE | FEMALE | PAY GAP (Female vs Male) |
|---|---|---|---|
| Manufacturing | 240.6 | 162.9 | -32.3% |
| Healthcare | 240.6 | 144.9 | -39.8% |
| BFSI | 306 | 248.3 | -18.9% |
| Education | 202.1 | 165.4 | -18.2% |
| IT & ITES | 359.3 | 238.6 | -33.6% |
| All Sectors Combined | 259.8 | 190.5 | -26.7% |

Average gross hourly wage in ₹

Source: Monster Salary Index

## At a time Skilling India is top priority, more women are jobless as compared to men and the ratio worsens for more educated youths

URBAN - YOUTH UNEMPLOYMENT RATE (%) IN INDIA (15-29 YRS)

**14.6%** Higher Secondary

**17.3%** Diploma/Certificate

**23.4%** Graduate and above

**12%** Higher Secondary

**12.5%** Diploma/Certificate

**16.3%** Graduate and above

## India ranks poorly in the World Economic Forum's 2014 gender gap index of 142 countries

**114** India's overall rank in the Gender Gap Index

**134** Rank in gender equality in economic participation and opportunity

**126** Rank in gender equality in education attainment

**15** Rank in gender equality in political empowerment

Source: World Economic Forum's Global Gender Gap Report 2014

# Setting records time and again!

# Ranked India's No.1 by Times of India and India Today (Factual)

## 2013 | 2014 | 2015

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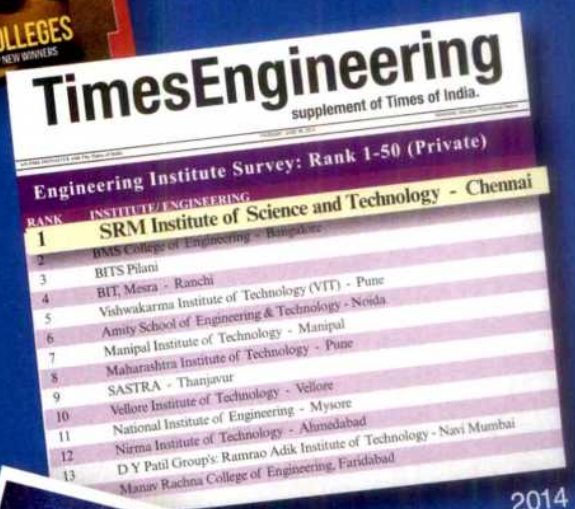


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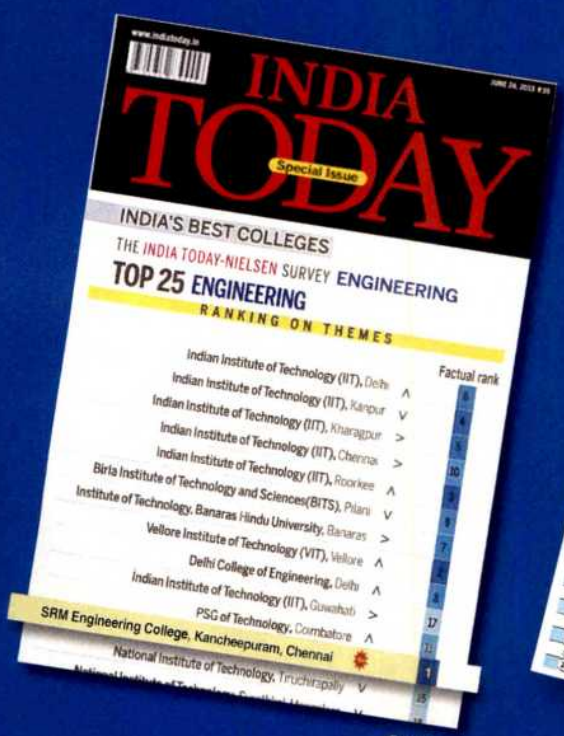


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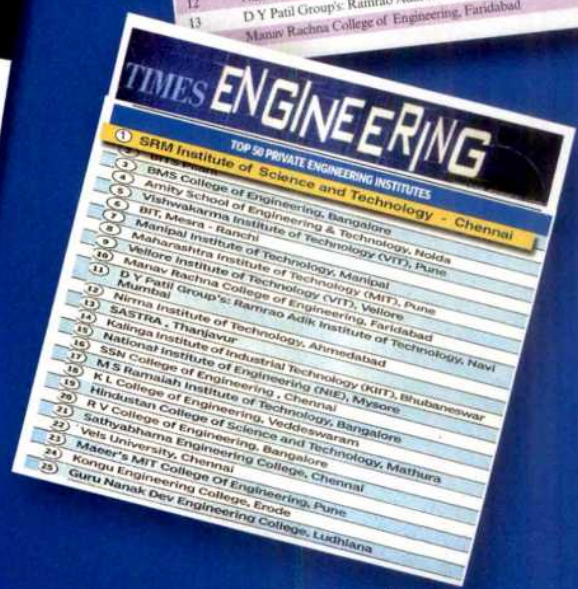


2015

* No.1 Private Engineering University by Times Engineering, Times of India - i3 Research Consultant survey 2015 | 2014 and No.1 Engineering College on factual basis by India Today - Nielson Survey 2015 | 2013

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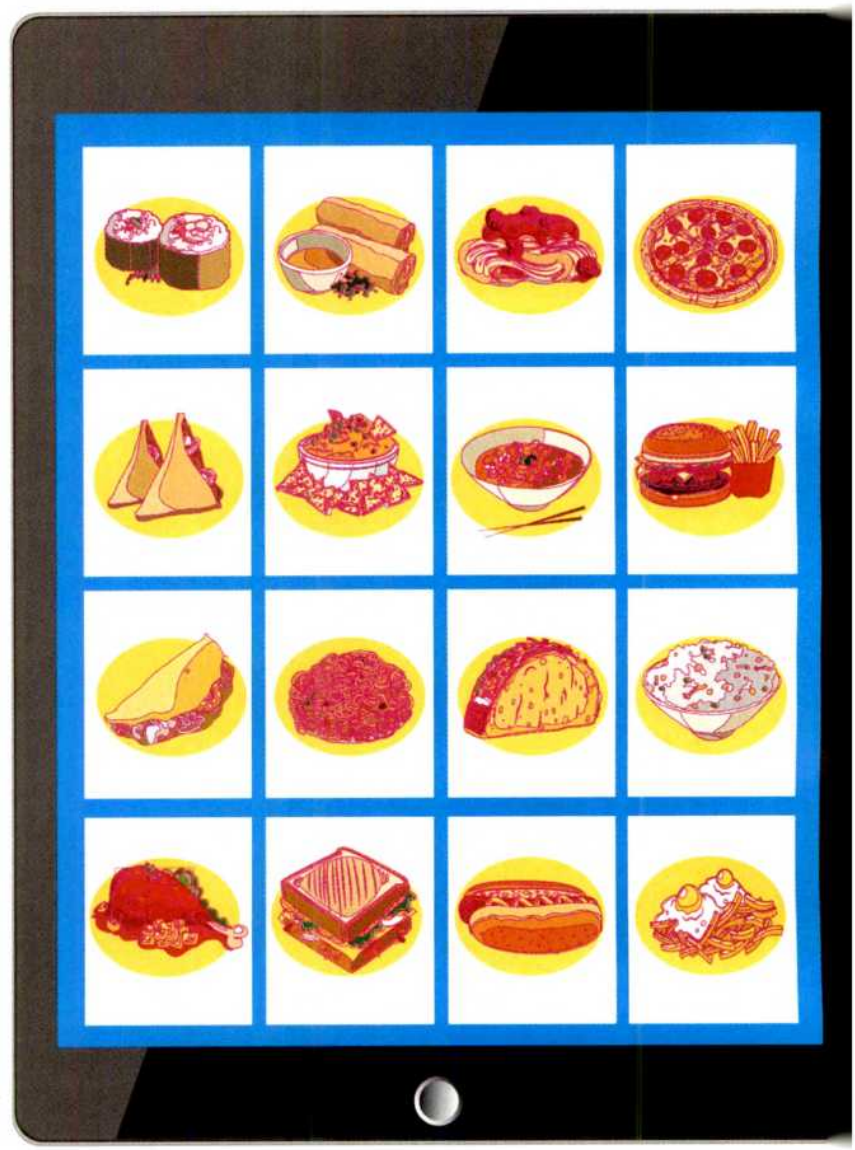
WHAT'S TRENDING

# The Digital Food Print

Food-based social networks that bring together home cooks and culinary enthusiasts are the flavour of the moment.

By **CHITRA NARAYANAN**



RAJ VERMA

A sure shot recipe for social success is to talk food. A whopping 25 per cent of posts on social networks are on food, drinks, cooking and nutrition. On Instagram #foodporn is one of the most trending hashtags. Whole communities have come up on Facebook to exchange recipes and food tips.

So is it any surprise that standalone food-based social networks are cooking up a storm? Food Talk India,

SOCIAL TOON

a digital food community with 400,000 users, has just attracted seed funding to the tune of half a million dollars from a private investor. Set up in 2013, Food Talk India, which dishes out engaging content on Facebook, Viber, Twitter and Instagram, is now using the funding to launch its own hyper local dish discovery mobile app – Food Talk Plus.

But the big news is the reboot last week of Allrecipes.com – a Seattle-based website where people submit and find recipes. The site, which boasts 1.3 billion annuals visits and calls itself the world's biggest online food community with a presence in 24 countries (including India), is now reinventing itself as a food centric social network. In its new avatar, Allrecipes, which was acquired from *Readers Digest* by publisher Meredith that brings out magazines like *Better Homes and Gardens*, will allow users to follow other home works, interact with each other and celebrate the making of a great dish with a special button. It will also have personalised "cooking graphs".

Analysts feel that Allrecipes' reboot signals the growing confluence of search and social. People often stumble into the site looking for ingredients and inspiration but usually stay on. Now with its reincarnation as a social site, it can weave in better engagement. For instance, as users build their profiles on the site and share their food preferences (vegetarian, vegan, gluten free and so on) it can allow nearby grocery sites to deliver targeted ads.

Of course, Allrecipes, which, believe it or not, started life as a cookies recipes site, has a lot of competition from a host of social food networks. For instance, there is Food52, a content and commerce destination for home cooks, started by Amanda Hesser, a former food editor of *New York Times Magazine* and Merrill Stubbs, a Le Cordon Bleu-trained chef. Not only does the site bring home cooks together, but also allows them to shop for ingredients, tableware and much more.

This is just the taste of things to come if a study by Sopexa is anything to go by. The study, which polled foodies (defined as consumers who look up food content online) in six countries – the US, Germany, France, the UK, Japan and China – found that for 86 per cent of them Internet was their top resource for food information. ◆

*@ndcnn*

AJAY THAKURI

## LISTENING POST

### Dial M for Support

If Apple has Siri, and Amazon has Echo, can Facebook be left far behind? The world's largest social network has unveiled M, a virtual assistant built into its Messenger app that will find any information you seek. Powered by artificial intelligence, it's trained and supervised by people – a sort of hybrid virtual assistant. You can ask it to do almost anything – be it order some exotic drink, or throw a dinner party or deal with some services company. M is a rather cheery assistant by the way – it comes preloaded with jokes and inspirational quotes.

### Still Headhunting

For over three months now, Twitter has been searching a new CEO to replace Dick Costolo, who stepped down in June. A little birdie suggests that Twitter's search firm, Spencer Stuart, has reached out to Padmasree Warrior, former Cisco Systems executive, and CBS Interactive's Jim Lanzone. Others are propping up internal candidates such as Adam Bain, Twitter's revenue chief. So far Jim Dorsey, Twitter's co-founder, has been temporarily filling in as CEO but he also heads Square, the mobile payments firm which also he founded. Twitter needs to act fast as its valuation is dropping in the face of employee defections and static user growth.

# ELEVATING URBAN LIFE TO NEW HIGHS

**Urbanisation is leading to growth of high-rise buildings and the expectation of an affluent society with an ever-increasing purchasing power, redefining the very concept of 'Good Living'**

**World's fastest elevator at Tai 101 in Taiwan, 1010 m per min (~16.8 m per second)**

**Toshiba's innovative technolog are in harmony with nature a human lives. Toshiba elevat ensure best standards of safe security and comfort leading to improved quality of living**

Urban areas have been recognised as "engines of inclusive economic growth". Today, in the 21st century, we have reached a critical juncture where mega-growth of the manufacturing and services sectors in countries like Japan, China, India and other fast developing Asian and South American nations has led to hyper-paced urbanisation. Post-independence, urbanisation in India increased at a very high pace and today, of the 121 crore Indians, 83.3 crore live in rural areas while 37.7 crore stay in urban areas, i.e approximately 32% of the population. No wonder this is becoming a barrier for balanced, equitable and inclusive development. It puts pressure on the finite number of resources leading to shortage of amenities such as water supply, sanitation, electricity and infrastructure.

**One Avighna Park, a landmark development in Mumbai that has Toshiba elevators installed**

Along with widening of cities and towns, urbanisation creates demand for spaces to live and work – those which are comfortable, safe and energy efficient with technological innovations. To accommodate more people it has become essential to "increase height". The concept of the high-rise – the multi-storey building, is today no longer a passing fad. It is an essential feature of modern life.

To cater to this 'vertical growth' the role of elevators is of paramount importance.

"The little talked about engineering wonder called the elevator is one of the most crucial components of modern urbanisation. You cannot have indefinite horizontal expansion of cities", explained an infrastructure company engineer.

Thus, real estate and infrastructure companies in the world's fastest growing countries like India are increasingly focusing (and willing to spend more) on elevators. Elevator manufacturing companies worldwide like Toshiba Johnson Elevators (India) Private Ltd. (TJEI), a joint venture between Japan's Toshiba Elevator and Building Systems Corporation (TELC) and India's largest elevator company Johnson Lifts Pvt. Ltd., are concentrating more and more on offering solutions that meet the needs of high-rise real estate developers.

Today, one of the first questions most prospective apartment buyers at a high-rise building ask is, "how long will it take me to reach (say) the 30th floor?" or "hope it won't be out of order most of the time". To them a slow, dreary ride or not having it in working condition and causing delays is unacceptable. They deserve a smooth and comfortable ride. They have to be assured of fast entry and exit to their apartments. Toshiba has superior technology for high-speed elevators and in fact it has received certification from the Guinness World Records as having supplied and installed the world's fastest* elevator at TAIPEI 101, Taiwan, traveling the speed of 1010 m p minute (~16.8 m per secon Toshiba also focusses offering finest quality main nance services. At its fi services training centre Fuchu factory in Japan speci ised field technicians trained in the latest advanc technologies and mai nance techniques.

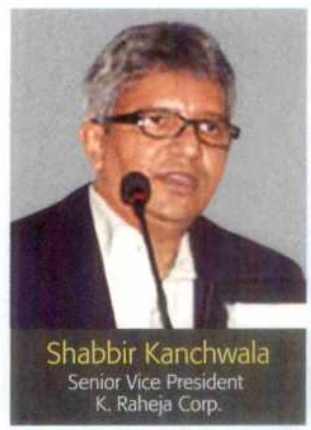
To come out on top w respect to safety too, T carries out one of the m rigorous and meticulo checks for every prod during installation. And t safety aspect is furth ensured by the supervision top quality Japanese profe sionals. Japanese eleva technology personnel, incide tally, are rated among t world's best. Not only th unlike others where main nance is relegated to a th party, Toshiba believes maintaining all installations itself, leading to not o excellent service quality b also ability to predict main nance issues.

"More than a transportation space, an elevator is the heart of a building. Elevators provide continuity with the architecture and design of a building. It is a shared space, an experience that contributes to building occupants' quality of life. The combination of functionality and style is important in Toshiba's product designs and we are setting new benchmarks for the elevator experience with customised interior designs and smart functionality that reinforce the elevator cab's role as a valuable room in the core of the building. At TJEI, we are committed to providing safe and efficient vertical transportation through our innovative, state-of-the-art global product range. In addition to our high-quality products, our customised solutions and unparalleled after-sales service support set us apart."

Yoshiyuki Mabuchi,
MD, Toshiba Johnson Elevators (India) Pvt. Ltd.

# Our dream is to reform modern-day living for the new class of consumers

Excerpts from an exclusive interview with **Shabbir Kanchwala,** Senior Vice President, K. Raheja Corp., a premier construction company in India for the past 59 years



Shabbir Kanchwala
Senior Vice President
K. Raheja Corp.

"We at K. Raheja Corp., the creator of 2000+ residential projects and a 25 million square feet world-class business ecosystem, aim to provide premium realty infrastructure at par with international standards. We pioneered the concept of self-contained townships and commercial business districts with all formats like residential apartments, office spaces, retail and entertainment, virtually making it a mini city with mega comforts", says Shabbir Kanchwala - Senior Vice President at K. Raheja Corp.

"We dream to reform modern-day living. We offer comfort and safety – a dream of the new class of consumers, a style that encompasses the whole range of consumption pattern of the young and the upcoming consumers."

The vision of the company, says Kanchwala, is to be a major infrastructure and growth driver for the development of India so that the whole nation gets empowered.

I ask myself, "Why can't our own Delhi, Mumbai, Kolkata, Bengaluru, Chennai, Hyderabad be like any other big metropolitan city in the world?"

"But I also realise that there are so many obstacles. To construct world-class buildings and structures, I also need world-class equipment and components – the best doors, the best taps, the best flooring, the best electrical infrastructure." Getting the components that meet Raheja's excellence targets can often be really tough.

"To the modern flat owner, ambience matters, not only the ambience of his own flat but the ambience, quality and facilities of the entire compound he lives in. For modern high-rise buildings that are 50, 60 or 100 storeyed, you need elevators that are more comfortable, more spacious and yes, 100 per cent safe. We can no longer afford a situation where an elevator stops for a few minutes due to a power cut," he points out.

"To ensure that our apartment buyers get the safest elevators in the market, we carried out a rigorous study of the world's major elevator companies' products", informs Kanchwala. "It was Toshiba that came on top to ensure that customer requirements are not only met in design but also in its operations for a long time."

"We are associated with Toshiba since 2012 and the experience has been marvellous. Starting with a mid-sized project with 12 elevators, today we've partnered with Toshiba for most of our projects. We are extremely satisfied with their prompt response time, for all pre and post sales and their overall project execution patterns, therefore, we've given them the contract of installing elevators in our own HQ as well. Toshiba always makes it a point to walk that extra mile with us – in terms of value addition in their offerings, variety in finishes and features."

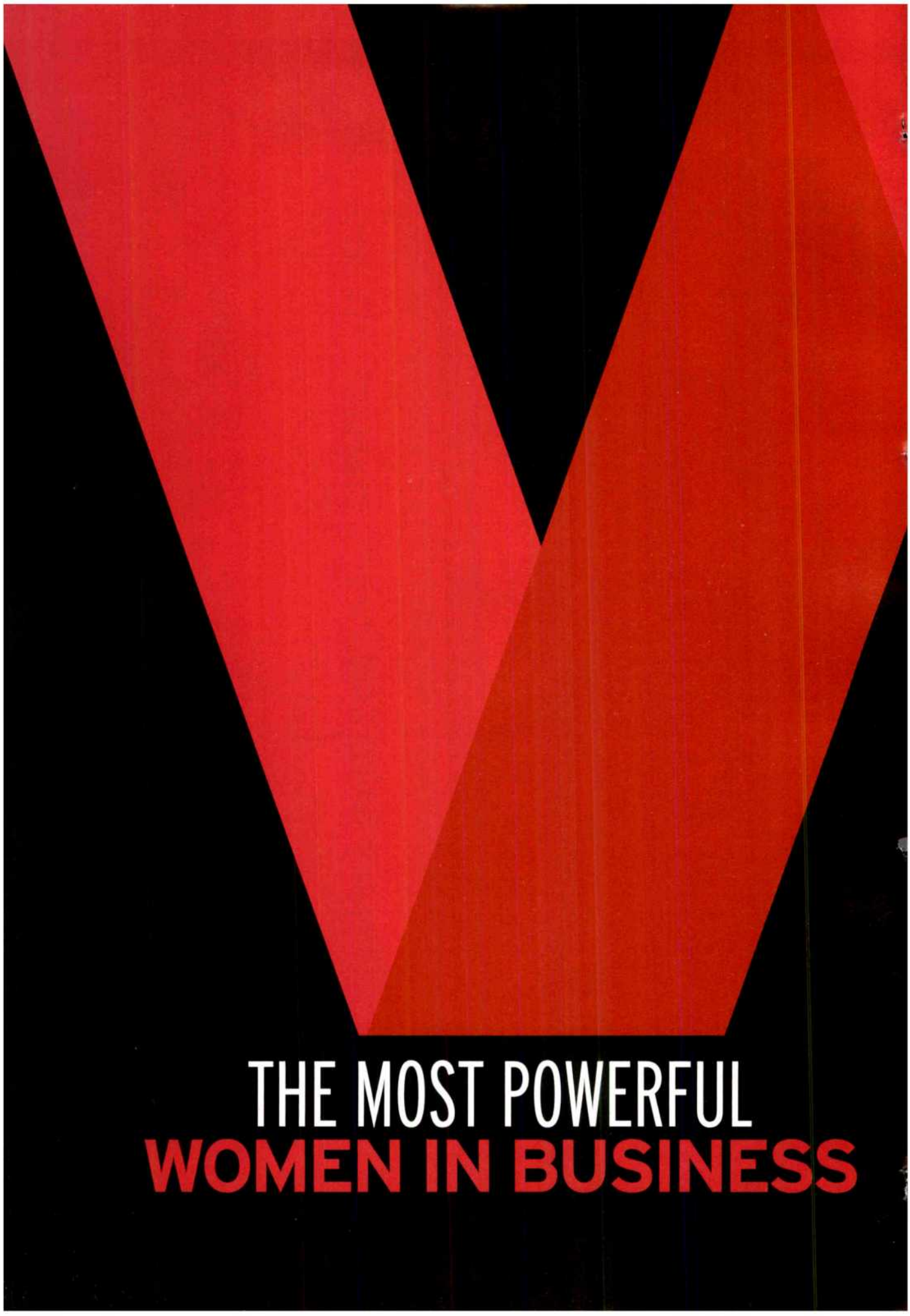
"Toshiba is a reputed global brand and its elevators are known both for quality and excellent operations. Safety is their priority. The safety features like automatic rescue device, power failure emergency operation, over- speed protection, automatic landing to the next floor in case of failure, show their commitment to excellence."

He adds, "Toshiba is ahead of the competition in key areas like, their commitment to deliver on time without compromising on safety and quality, the excellent experience of their installation team, their unmatchable lead in customisation. In terms of aesthetics, decoration and finish, real estate firms like ours have to provide new and refreshing products for every project. The customer will not accept what he has already seen at his friend's place. He wants to be unique and feel unique, and that's what Toshiba is, every single time."

Raheja Commerzone, Pune

ıe other aspect about the lian buyers is that they are th affluent and aspirational. ey demand living and rking spaces that promise exclusive lifestyle. One that ıclaims their status and ds a 'badge value'. Thus, aesthetics and styling of common areas and elevators become very important from this aspect. Toshiba Elevators understand this and have partial/complete customisation solutions to offer. It's very likely, for example, that you could have an elevator with gold facia and interiors in an apartment called 'Golden Nest' or 'Black Titanium' finish with black marble tiles in case you want to match it to the foyer colour scheme. With all this working to make our living spaces better we can stop looking at urbanisation as a problem. Instead it's an opportunity to get to a better lifestyle and living conditions with an intent to achieve new highs.

*Fastest opertional elevator as on July 2015


THE MOST POWERFUL
WOMEN IN BUSINESS

# *BT*'s 12th annual listing of women achievers.

By ALOKESH BHATTACHARYYA AND SARIKA MALHOTRA

RESEARCH INPUTS FROM NITI KIRAN AND JYOTINDRA DUBEY

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**Defining power is not easy. But at *Business Today*, we have been doing it consistently, with our listing of the Most Powerful Women in Business. In fact, this is our twelfth run, where we celebrate the journeys, triumphs, perspirations and challenges of**

(From Left): Janmejaya Sinha, Chairman, Asia Pacific, Boston Consulting Group; Prosenjit Datta, Editor, BT; Kalpana Morparia, CEO, JP Morgan India; Rahul Bajaj, Chairman, Bajaj Auto; and Sam Balsara, Chairman and MD of Madison World and Madison Communications

women who are powerful enough to impact their organisations and the economy in a big way.

In the initial years, women from the banking and financial services arena dominated. The ICICI Bank leaders in particular – like Chanda Kochhar, Shikha Sharma, Kalpana Morparia and a host of others – featured regularly. Then there were the original entrepreneurs, including perhaps the first woman-led garage start-up – Biocon's Kiran Mazumdar-Shaw. She went on to win the award seven times, and was elevated to our Hall of Fame (12 others, too, made it there; read what they are up to on page 128).

As the list evolved, women from IT started to come in a big way, such as Neelam Dhawan (erstwhile Microsoft and now HP), and Vanitha Narayanan of IBM. Slowly we saw fashion designers, chefs and publishers making their way into the list.

One remarkable transition was that of Renuka Ramnath, who went from an executive position in ICICI Bank to starting out on her own. She lost her position on *BT*'s list for two years after leaving ICICI – in 2009 and 2010 – but came roaring back in 2011 after the success of her company Multiples Alternate Asset Management. No other executive in the past 12 years has managed that. Ramnath, of course, went on to join the Hall of Fame in 2013.

This year, too, we have an exciting list. As we started the process, we looked for real achievers, who need not necessarily be in executive positions – Meher Pudumjee of Thermax is non-executive Chairperson, for example – or even be CEOs. They could be division heads in large corporations – Geetu Verma and Priya Nair of Hindustan Unilever, for example, who don't head the company, but have immense impact in key areas for the ₹30,800-crore market-leading FMCG behemoth. What mattered in the ultimate analysis was performance in the past one year, and potential to impact their companies and industries.

We drew up a long list of over 150 such women across sectors ranging from corporate, finance,

> We drew up a long list of over 150 women and then shortlisted 55 contenders. Finally, 25 made the cut after jury deliberations

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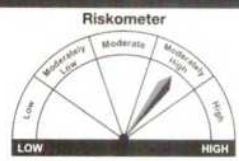
| · Long term capital growth<br>· Investment in equity and equity related instruments and fixed income instruments<br>*Investors should consult their financial advisors if in doubt about whether the product is suitable for them. |  <br>Investors understand that their principal will be at Moderately High risk |

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legal and research outfits, policy makers, media and advertising, publishing, entrepreneurs, family businesses, film production, consultancy and more. This list was chiselled by a group of BT's senior-most editors to a shortlist of 55 contenders.

This shortlist was presented before a power-packed jury. Chaired by veteran businessman Rahul Bajaj, the Chairman of Bajaj Auto and Member of Parliament, the jury included the likes of Kalpana Morparia, CEO of JP Morgan India; Janmejaya Sinha, Chairman Asia Pacific of Boston Consulting Group; and Sam Balsara, Chairman and Managing Director of Madison World and Madison Communications.

After hours of deliberation, 25 made the cut – from first-generation entrepreneurs, marquee deal makers, meticulous litigators, marketing wizards, to PSU heads. The list boasts many first ladies who have reached the pinnacle in traditionally male-dominated bastions. The first woman chief of India's oldest and largest bank; the first lady head of an oil PSU; and the first lady honcho of India's biggest stock exchange.

The list boasts many first ladies who have entered the male-dominated bastions. The first woman chief of India's oldest and largest bank; the first lady head of an oil PSU; and the first lady honcho of India's biggest stock exchange

SBI Chairman Arundhati Bhattacharya continues the tradition of top women bankers in *BT*'s listing. Last fiscal, she put a check on non-performing assets, focused on profitable growth and also introduced initiatives in digital banking. Shining through in India's energy economy is the first lady of Indian PSUs. Hindustan Petroleum Corp Chairman and Managing Director Nishi Vasudeva runs India's fourth-largest oil company (fourth-largest across sectors, too) by revenues. Last fiscal, she took HPCL to record profitability. Just when stock markets were all about men, in came Chitra Ramkrishna. The Managing Director and CEO of the National Stock Exchange has cemented the Exchange's position at the top so much so that it resembles a monopoly.

Then there are the next-gen ladies – the ones who are already in influential positions, and will likely take over from their fathers in the near future. For example, Arathi Krishna, the Joint Managing Director of auto component maker Sundram Fasteners, is the daughter of the company's Chairman and Managing Director Suresh Krishna. Arathi is already No. 2 on the board, and clearly earmarked to take over leadership role once the chairman decides to call it quits.

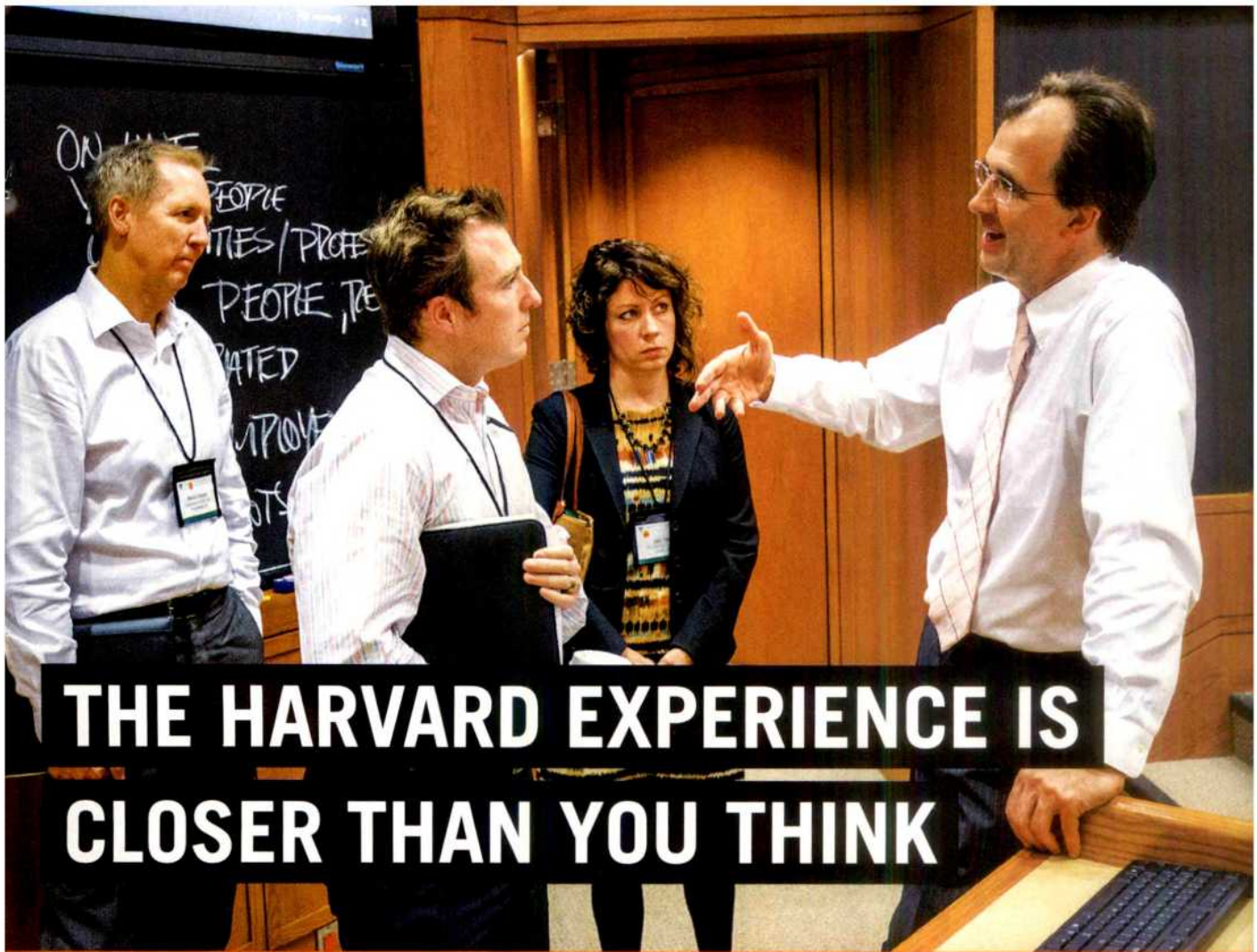
Another such example would be of Radhika Piramal, who is entrusted with the task of making VIP luggage contemporary and attractive to the new generation. Junior Piramal became Managing Director of the company in 2009, albeit her father Dilip Piramal, who founded the company in the 1980s, is still actively involved in the business. Radhika is entrusted with bringing fresh thinking into the company, and take on the might of international stalwarts like Samsonite.

Every year, we celebrate new blood in the list – that is how it evolves over the years. The old make way for the new. Debutants this year include the young Chief Commercial Officer of GE South Asia, Ipsita Dasgupta. A pretty low-profile name that BT has unearthed, Dasgupta is one of those seemingly rare woman executives who thrill in the sounds and smells of manufacturing – at GE, she looks at the marketing strategy for wind turbines, aircraft engines, machining tools, water – the real hard core stuff. She has worked in the US, was Chief Marketing Officer in China before taking up her current role. She has risen rapidly in one of the top companies in the world and also sits on Jeff Immelt's Commercial Council.

Another new entrant this year is Jyoti Deshpande, Group CEO and MD of Eros International. The fact that a woman heads India's biggest movie making and distribution company is ironic in an industry where male heroes and directors rule the roost. After making superhits like *Bajrangi Bhaijaan* and *Tanu Weds Manu Returns*, Deshpande is now eyeing newer markets – like tying up with Chinese companies for India-China joint venture movies. And then there is her pet project – Erosnow, which is an entertainment portal dishing out latest movies and music. Deshpande is banking on Erosnow to take the company into the digital era as the market leader.

It is a bunch of fascinating stories on the following pages. Stories of courage, of willpower, stories of having overcome extreme adversity, stories of challenge and victory. Turn the page and savour the personalities of India's most powerful women in business. ◆

*@alokeshb; @sarikamalhotra2*
*@niti_kiran; @JyotindraDubey*



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# BUILDING STRONG FOUNDATIONS

At over ₹1,500 crore a year, Nita Ambani runs India's largest Corporate Social Responsibility initiative.

By RAJEEV DUBEY

I am on the board for the CSR," says Nita Ambani, director, Reliance Industries. That may be the bare truth, but by all accounts an understatement. At least, that's how Reliance watchers see it. Instead, analysts see Nita's elevation to a board in June 2014 as her anointment to the second most powerful position at India's largest and most profitable private sector company, the ₹3.88 lakh crore Reliance Industries (RIL). And that's not just as the joint owner and wife of Chairman and Managing Director Mukesh Ambani, but for taking charge of her own destiny.

Her first tryst with a board was three years earlier when Nita joined the board of directors at EIH Limited, that runs The Oberoi and Trident chain of hotels. Right after RIL bought a 14.12 per cent stake in EIH. Ambani's power presence is believed to have staved off what was building as a possible hostile takeover attempt by arch rival ITC, owner of the Sheraton chain of hotels. Over 10 years, ITC had built up a 14.98 per cent stake in EIH.

It certainly helps RIL's cause that her appointment to the board conforms to SEBI's mandate of at least one woman director on every listed com-

"I want to get into higher education, university. I want to get into things like liberal arts, engineering, dance"

## Nita Ambani, 51

Director,
Reliance Industries

WHY SHE MATTERS: As director on the board of India's largest private sector company, she leads India's biggest CSR outlay of over ₹1,500 crore annually.

WHAT MATTERS TO HER: Power means to empower people. To see that society progresses. Whether you empower your family, you empower society, empower leaders, empower teachers, where you see it truly making changes is when you empower the youth.

BUSINESS IDOL: Every day, the one person who was a wonder to watch was my father-in-law. Just his grit and determination in everything he did. His positive spirit in creating things and making a change inspires me even today.

**Beyond CSR:**
Nita Ambani

RACHIT GOSWAMI

pany's board. But by itself, the ₹1,566 crore annual outlay she oversees wields an influence greater than several mid-sized companies. While RIL declared an investment of ₹805 crore on its own CSR activities in 2014/15, the company's five-year old philanthropic initiative Reliance Foundation spent another ₹761 crore on its activities.

"Everybody learns. Even if you have had 20 board positions earlier, being on the Reliance board will be demanding because of the scale and the size. She will grow into it and settle down. I just hope she keeps time for these philanthropic ventures," says Zia Mody, who has known Nita since she was 15, through her husband Jaydev's family. "She wanted to study law until Mukesh told her it's a rubbish profession," adds Mody.

RACHIT GOSWAMI

**Modern healthcare:** Sir H.N. Reliance Foundation Hospital and Research Centre in Mumbai

## God in Detail

Former CSIR chief R.A. Mashelkar, an independent director on RIL's board, remembers the meticulous manner in which Nita got into the nitty gritties when she was to deliver an acceptance speech for an award on behalf of Mukesh Ambani. But that's just a speech. Nita's most prominent trait is being compulsively obsessive about detail. "I don't think devil is in the detail. I think God are in the details. I get a little bit obsessive also," she acknowledges. Whether it's the uniform at the newly opened Sir H.N. Reliance Foundation Hospital or the menu for patients, or the building design and patient flow, everything bears Ambani's stamp. Or, for that matter, the inauguration of the hospital by prime minister Narendra Modi. She planned the event by the minute.

Ajay Berry, Director, Operations, at the hospital, says she gave patient centrality a whole new meaning. For instance, she approved the use of hi-tech Burlodge trolleys to serve food for patients. The trolleys can carry both warm and cold food at the same time and also keep a log of the serving. "Each trolley costs more than a Honda City," says Berry. But the biggest contribution came from bringing her own experiences of tending to patients such as Dhirubhai Ambani and even her father who was in coma for five years. Nita suggested use of gel warmers in ultrasound rooms to prevent the discomfort of cold gel. She suggested blankets in the usually freezing MRI rooms, and a music of choice to soothe the nerves while inside the MRI machine. "All my ICUs have windows in them. My father didn't see daylight for five years," says Nita."She has the ability to seamlessly integrate all aspects of her work," says Berry.

The Foundation has now launched the "Health For All" initiative through a community outreach programme for the underprivileged within five kilometres of its hospitals.

But when does involvement cease to be attention to detail, and become micro-management instead? "Micro-management is in the realm of 'How'?". She never tells you how to do things. She will challenge the team to come up with the best possible resolutions under a situation," says Berry.

It is this attention to detail that also reflects in the relationships Ambani builds, both at work and with friends. "She has a way to make you part of the Reliance family. She will ask about children. She would know if a child has an illness. I don't know how she does it. But she has a way of figuring out. There are too many instances where she overwhelms you," says a former employee. She even cooked the first meal at the hospital kitchen herself. Ambani says the compassion comes from her middle class upbringing "living with 32 family members in one house and 11 children sharing everything".

Is the compassion for real though? "You can't put on for so long. You can't do it every day for 10-20-30 years," says a former employee.

So does she tick off people for non-performance? For

# ~ Monday Morning ~

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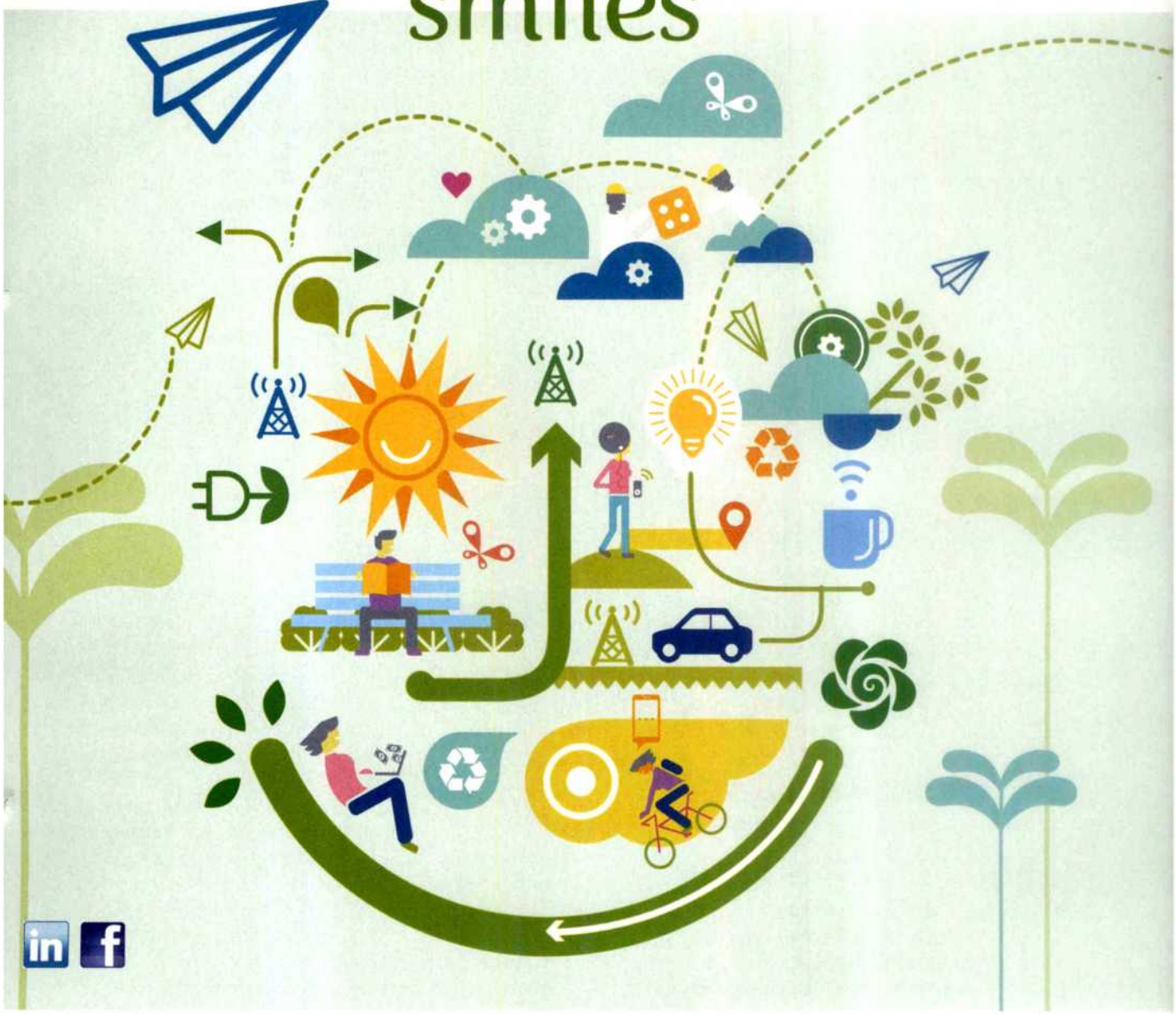

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many, it takes a long time to figure out because it comes backhandedly with comments such as: "Where have I failed to support you? Or, what is it that I can do to get going?" It takes times to figure out that this was something you didn't do well enough. Those who work with her know whether it's a compliment or a word of encouragement to raise your game.

## Whatever it Takes

RIL's own CSR activities are confined to social, educational, health, sanitation and ecological infrastructure in the catchment area in and around its townships at manufacturing locations such as Jamnagar and Patalganga. But before the Manmohan Singh-led government determinedly pursued its goal to make CSR mandatory for corporate India in the new Companies Act, 2013, Ambani was conceptualising widening RIL's social influence beyond its own locations. That gave birth to Reliance Foundation.

KAMLESH PAL/RELIANCE FOUNDATION

**Connecting people:** Road construction in Sirsam village in Maharashtra

The Foundation's Employee No. 1 Sudarshan Suchi recollects being invited, in August 2010, to a discussion with Nita and Mukesh Ambani in the 12th floor boardroom in Maker IV at Mumbai's Nariman Point. When asked about the focus of the Foundation, NMA (Nita Mukesh Ambani, as she is referred to) said: "Whatever it will take to make Indian a developed nation before we are in the 100th year of independence."

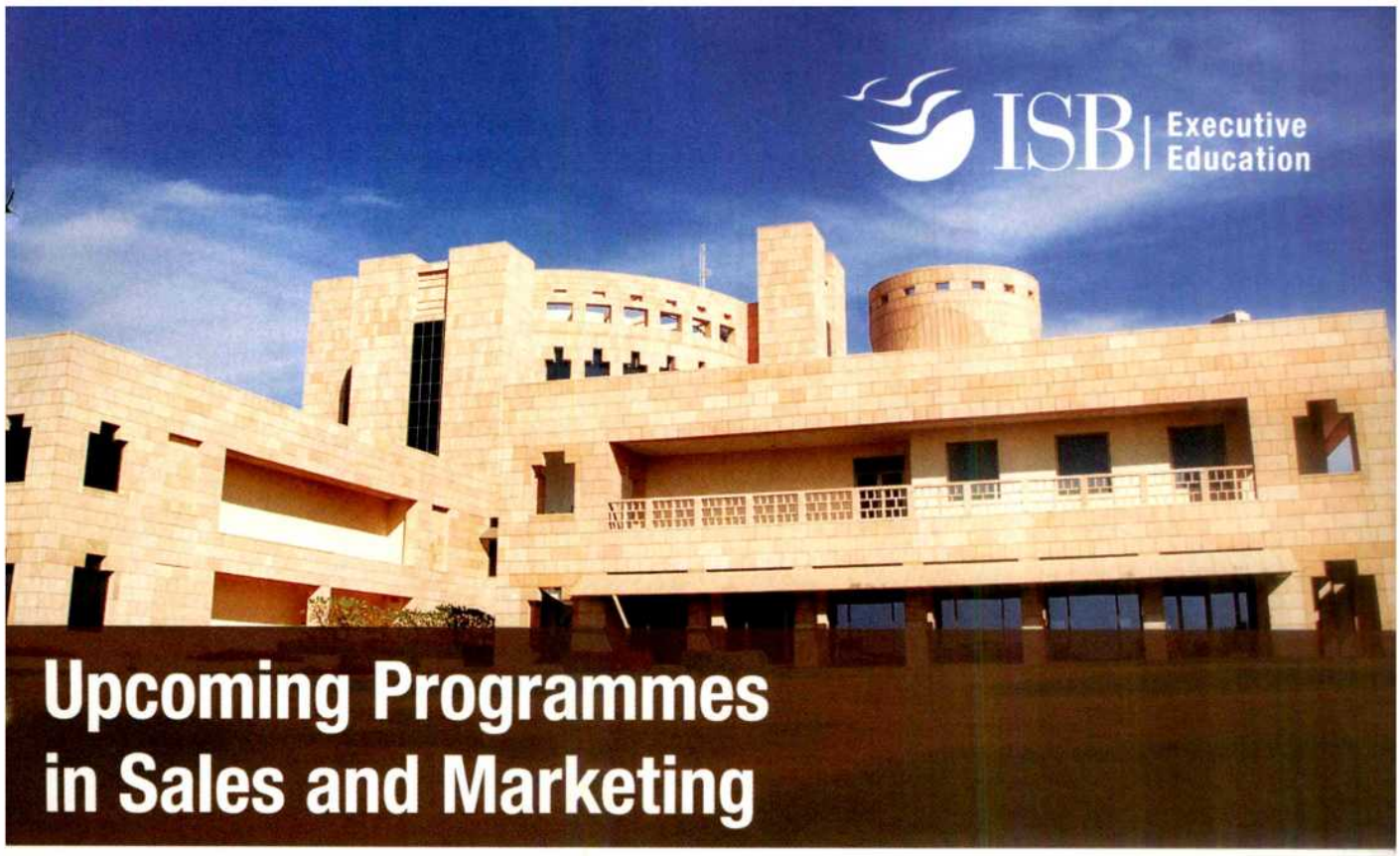
The thought prompted the Foundation's flagship programme of rural transformation called Bharat India Jodo (BIJ). While the Foundation also works in areas such as healthcare (through hospitals and outreach programmes), education (through 13 schools), sports, disaster response and art, heritage and culture, it's the BIJ that accounts for more than half of its total outlay. Suchi says Ambani asked that the 'Bharat' (rural India) that is lagging behind needs to be brought to the same pace as modern, urban 'India'. "She said go and work wherever in the country the poorest reside where no other organisation is attending to. And none of these need be anywhere near Reliance's establishments," Suchi recollects.

The BIJ programme is currently active in 540 villages in 33 districts and 12 states impacting 60,000 households and around three lakh individuals. Three new states were added to the programme in 2014/15 while one new school and a hospital (Sir H.N. Reliance Foundation Hospital) were opened in the year. Today, 13 Reliance Foundation schools at Kopar Khairane in Maharashtra have enrolled 15,000 children. Suchi says the Foundation's various programmes have touched the lives of 4.5 million people till date. The health outreach has catered to 2.9 million consultations till date.

The BIJ team of 550 development officers pick the poorest villages by human development index, where 70 per cent of households earn under ₹30000 a year. They form a village association independent of the Panchayat. "Panchayat is a political body. We aspire the village association to be a development and economic body, to become the owners of their own destiny through capacity building," says Suchi.

Every village association prepares a development plan by consensus where the Foundation invests. So while a village in Balangir has built a check dam, in Mandla the villagers engaged in tree plantation and built a water harvesting project. In Sirsam, Gangakhed the villagers built a 1.5-km long road. Year-end analysis is measured by outcomes and impacts. One of the goals was nutrition through kitchen gardens in the backyard. It's measured by the grammes of vegetables in farmer's garden. This year's goal is at least 150 gms per day per individual.

It takes up to five to seven years of handholding. Agar near Ujjain is in the fifth year is the first village under BIJ in command of its own destiny. "They have the capacity

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"Creating Jamnagar is one thing. Running a school is different. To lead IPL, to form a team, and cricketers are not the easiest thing in the world to lead. That's different. At every stage there was a bigger challenge and she has risen to the challenge"

Ajay Piramal, Chairman, Piramal Enterprises

to disagree with us, dispute, fight, challenge, demand and even throw us out. And that's what we wanted them to be. It's a compliment," says Suchi.

Ambani is, however, impatient that BIJ hasn't reached 100 districts already.

**Spreading light:** Nita Ambani with children at Dhirubhai Ambani International School in Mumbai

## The Next Big Thing

"She's here. I can hear her," says Zarene Munshi, the academic project director at the Dhirubhai Ambani International School in the sixth floor board room next to the chairperson's secretariat. Nita Ambani is at the door clad in an ISL league T-shirt and jeans. While she excuses herself to change for the shoot, Munshi recollects when at the JB Petit High School for Girls she first met Nita as a young mother who brought four-year-old Isha to the school. "She was rather dissatisfied with the kind of schools where the child was not at the centre of everything," says Munshi. "She felt there was too much emphasis on studies and not enough on non-academics. She wanted a holistic education and international education keeping in mind that we are Indian."

So when Ambani dreamt of an International school in 2002, she wanted Munshi to be part of it. In the initial years there was no day or night. "She would wake up early and go to the school. In the first five to six years, she knew every child by name," says a former employee. Her involvement hasn't flagged though. "She leads workshops to get the teacher buy-in about the values we should cultivate ourselves and then pass them on to children," says Munshi.

The 13 schools the Foundation runs teach over 15,000 children every day. Nita, however says she has another job to do – a school for the needs of special children (which is coming up near DAIS) and, perhaps, a University. "I want to get into higher education. I want to get into university. I want to get into things like liberal arts, engineering, dance," says Ambani.

"Creating Jamnagar is one thing. Running a school is different. To lead IPL, to form a team, and cricketers are not the easiest thing in the world to lead. That's different. At every stage there was a bigger challenge and she has risen to the challenge," says Ajay Piramal, Chairman of Piramal Enterprises who has known Nita for 35 years. ◆

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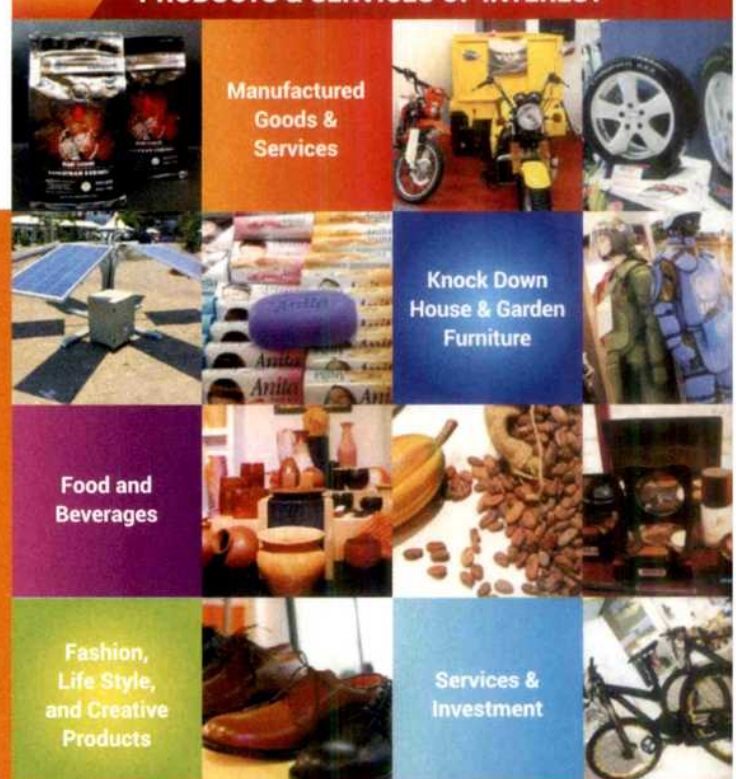


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# BED AND BREAKFAST

Using the franchisee model, Deepika Arora has grown the Wyndham Hotels chain spectacularly. By MANU KAUSHIK

Friends and colleagues were most surprised when Deepika Arora quit the Hilton Hotel chain, where she was Director (Development) for India, to join Wyndham Hotels Group as its Vice President (International Development) for India in 2010. She was offered the job at a hospitality conference in Mumbai that year which both she and the top management of the Wyndham chain attended. Wyndham is the world's largest hotel company, specialising in mid-market and budget hotels, but though it entered the country around 2000, it had only eight hotels in India till then. Arora had been doing well at Hilton, where she played a key role in the 75-hotel joint venture the chain signed with DLF, as well as in bringing such brands as Double Tree by Hilton and Conrad into India. "People told me I was making a blunder by joining a company which had absolutely no recall value in India," she says. "But I asked myself why a chain that's globally so strong cannot do well in India. It was a challenge I wanted to take up."

Arora studied architecture, but has preferred a career in the hospitality sector. In her five years with Wyndham, she has trebled the number of its hotels in India to 24, 13 of them in new cities. When she joined, Wyndham had only one brand in India, Ramada, and though 19 of the 24 are still Ramada hotels, three new brands have been introduced – Ramada Encore, Days Hotel and Howard Johnson. Another 43 properties are being developed and will be ready in two to three years. Wyndham is the 12th biggest hotel chain in the country in terms of rooms, ahead of The Leela, The Lalit and Hilton chains, according to hospitality consultancy HVS's 2014 report. Arora's efforts got her promoted to Regional Vice President, Eurasia, this year, which put her in charge of Wyndham properties in 14 other countries as well, including high potential markets such as Sri Lanka, Maldives, Seychelles, Bangladesh and Kazakhstan. "The company believes I have the capacity to expand the brand beyond India," she says.

One of the early dilemmas Arora faced was the expansion model to adopt – whether to manage properties directly on behalf of a developer, or appoint franchisees. Most of the well known, global chains in India, such as Marriott, Hyatt or Starwood, have chosen the first option, but worldwide Wyndham has largely pursued the second. Arora had been empowered by Wyndham to decide what would best suit Indian conditions, and she ultimately plumped for the global Wyndham franchisee trend. "It was a conscious decision to go against the prevailing trend in the Indian hotel industry," she says.

**Deepika Arora, 35**
Regional VP(Eurasia), Wyndham Hotel Group

WHY SHE MATTERS: She heads one of the fastest growing hospitality chains in the country.

WHAT MATTERS TO HER: She quotes Maya Angelou: "I've learned that people will forget what you said, people will forget what you did, but people will never forget how you made them feel." Today, I feel proud that in my own little way I'm making a positive difference in the lives of people around me.

BUSINESS IDOL: Arianna Huffington, founder of Huffington Post.

Interview with Deepika Arora at businesstoday.in/wyndham-arora

**Growth agenda:** Under Deepika Arora, Wyndham will roll out more brands in India soon

SHEKHAR GHOSH

It proved a wise decision, especially because of the mid-market segment Wyndham mainly operates in. (The Ramada brand, for instance, has Radisson, Park Plaza, Country Inn and Suites, Crowne Plaza and Holiday Inn as its main rivals. The Days Hotel brand, which is a shade cheaper, competes with Accor's Ibis.) "The economy was favouring mid-market and budget brands at that time," she says.

Franchisee hotels are typically charged much lower fees by the brand provider than managed ones – three to four per cent of earnings against around 12 per cent. "Mid-market hotel owners are more cost conscious," says Arora. "They are more interested in return on investment than flaunting a brand. They want to tie up with chains which will not rip them apart with high fees, while providing support and a central reservation system." The fees are paid to get access to online reservation platform, global sales network and global brand initiatives. Almost, 60-70 per cent of the hotels' revenues are generated by loyalty guests. Wyndham's loyalty guest members are over 40 million across the world who drive a large amount of traffic for its brands in India.

The model also enables Wyndham to keep its own costs down. "I have six people running 24 hotels while other chains have 60 people managing six hotels," says Arora.

Franchisee hotels are also not as rigidly standardized as their managed counterparts, enabling them to adapt more easily to the market. Most Wyndham brands, for instance, do not allow banquet halls within the hotel premises, yet the Days Hotel opened in Jalandhar in June 2014 has been permitted one. Most Days Hotels (a mid-market, rooms-driven brand) have only one all day restaurant, but the Jalandhar one has two, plus a separate bar. The exception has been made because Punjab is known to have a large food and beverages market. "Franchisee hotels enjoy greater flexibility and can customise to meet local needs," says Arora.

The downside of this model is a greater likelihood of standards falling at such hotels due to comparatively less supervision – affecting the brand's image. To prevent this, Wyndham insists on two annual audits at all hotels – one of them by an external auditor. If a hotel fails the external audit for three consecutive years, its contract is terminated. Hotels are also trained to conduct monthly self assessments.

As with all hotel chains, Wyndham's primary goal – and Arora's key mandate – is to add volumes. But the properties added have to deliver as well. "There is no point having a pipeline of 100 hotels which are not delivering because the brand's standards are too high and entail great expenditure," she says. "It is much better to have fewer hotels and get more out of them."

> "Deepika started with a bit of a handicap since Wyndham was not as well known in India as many other global brands, but has still managed to develop a good base of hotel owners"
> Ashish Jakhanwala, MD & CEO, SAMHI Hotels

Arora's rivals in the trade acknowledge her achievement. "Deepika started with a bit of a handicap since Wyndham was not as well known in India as many other global brands, but has still managed to develop a good base of hotel owners," says Ashish Jakhanwala, MD and CEO of hotel asset company SAMHI Hotels. Equally impressed is Ajay Bakaya, Executive Director, Sarovar Hotels and Resorts. "She is sharp and doing a good job," he says.

The challenges are not over. Wyndham will be introducing more brands in India soon, such as Wyndham Garden and Super 8. And while the franchise model will remain its mainstay, other ones, including acquisitions and managed model are also being looked at. "We could acquire some local hotel group," says Arora. She points to the example of Europe where Wyndham's growth had stalled for some years, till it bought the brand Tryp in 2010, which brought in 99 more hotels at a single stroke. "My aim is to take Wyndham from challenger position to leader position," she says.

The past one year has been eventful for Arora. In India, Wyndham Hotel Group added seven new cities, 13 properties to its existing pipeline and spearheaded the launch of Howard Johnson brand. On the personal front too, the past year has been momentous for Arora – she became a mother for the first time and ran her first half-marathon. ◆

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# THE BANKER TO THE NATION

The first woman chief of the largest state-owned Indian bank, SBI, has packed more work than one would have expected in the two years she has been in the corner office.

By ANAND ADHIKARI

Top banker Arundhati Bhattacharya, 59, rarely stumbles over words. That too to clinch a sale. In September 1996, when she moved to the US on a transfer posting, juggling audit functions and settling the family, she had experienced a rare buyer's dilemma. The SBI honcho had to step into a New York street to buy a perambulator for her daughter. But when none of the Big Apple's shopkeepers heard of the word, a determined Bhattacharya gestured a push cart, pulled out a picture of her daughter and waved it in front of a puzzled salesperson who mumbled: "Oh! you mean a stroller?" The deal was struck in a matter of minutes.

"Every posting has challenges in terms of language, culture, food habits and the way of working," grins Bhattacharya, who worked in almost all the regions of the country. In her over four years stint in the US, she got used to right hand driving, turn a water tap to the left and, yes, the proficient ways of the global financial centre in the world's largest economy. "The way they worked is very professional in terms of detailed policies, procedures and meticulous documentations of everything," says Bhattacharya from her 18th floor corner room at SBI's headquarters in Mumbai's Nariman Point.

It is not at all easy to hop from one city to another and from one function to another especially for a career woman with a very young child. But she braved all the challenges that came her way in a near four-decade-long career. Her extremely methodical way of working, people skills and a highly competitive spirit have stood her in good stead. Many say reaching the top slot in a male-dominated PSU banking set up and that, too, in the country's largest bank with over ₹20 lakh crore assets size, is no mean achievement.

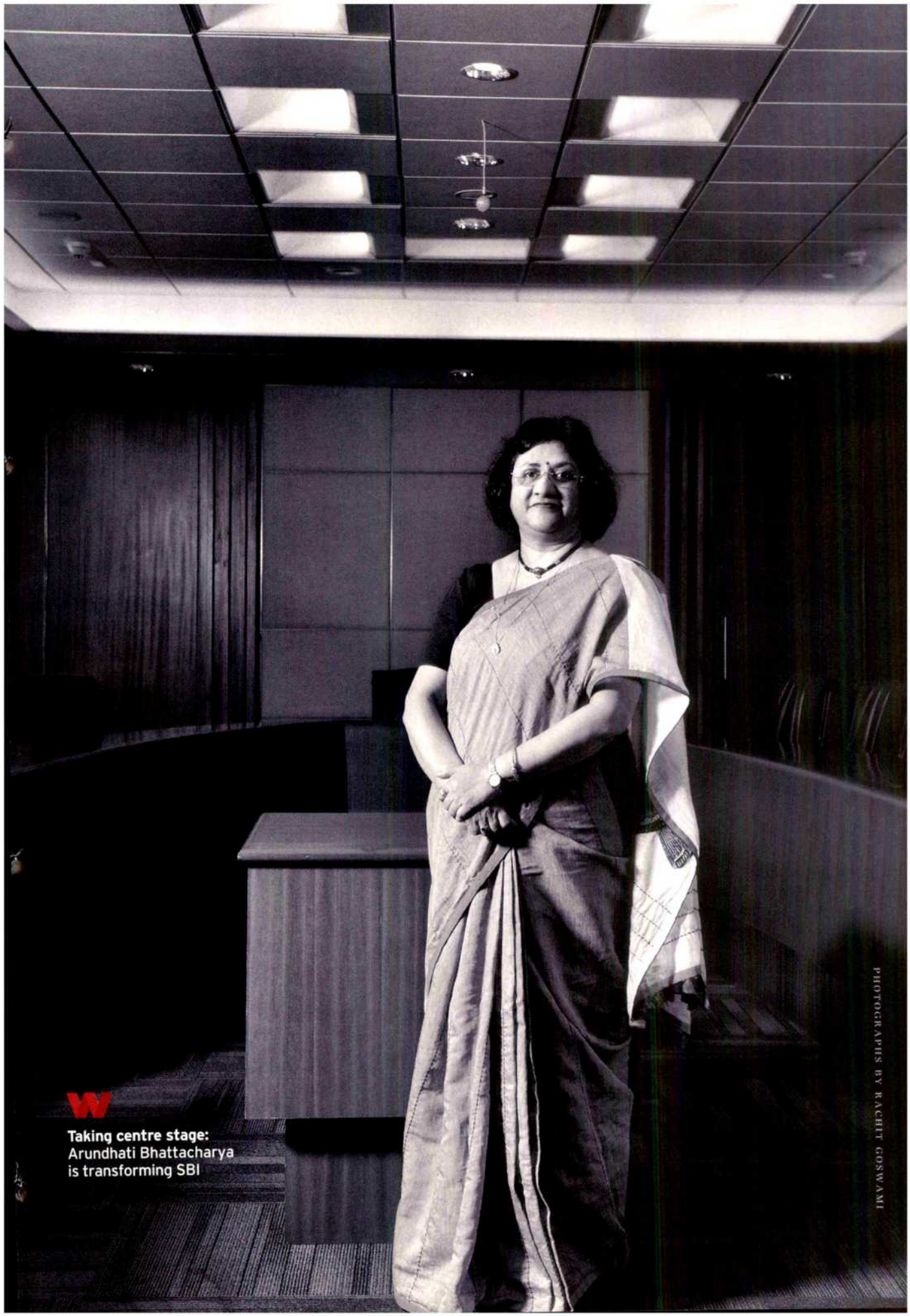
In the last two years, she managed to put a check on SBI's non-per-

**Arundhati Bhattacharya, 59**
Chairman,
State Bank of India

WHY SHE MATTERS: Heads the largest bank in India as the first woman chairperson in the bank's 208-year old history

WHAT MATTERS TO HER: To make SBI more nimble footed, financially strong and digitally savvy to appeal to the younger customers

BUSINESS IDOL: She draws inspiration from her mother and aunt, who braved many challenges in life and are self-made



**Taking centre stage:** Arundhati Bhattacharya is transforming SBI

PHOTOGRAPHS BY RACHIT GOSWAMI

forming assets, focuss on profitable growth and also introduced new initiatives in the digital banking space. "She is laying a good foundation for the bank, especially in the mobile-driven new banking landscape," says Vimal Bhandari, an old IL&FS hand, and a former country head of AEGON India.

The numbers speak for themselves. SBI's net profit jumped 20 per cent to ₹13,102 crore, deposits were up by 13 per cent at ₹15.76 lakh crore, retail advances climbed 15 per cent at ₹2.72 lakh crore and NPAs are down from 4.95 per cent to 4.25 per cent in March 2015. Bhattacharya has managed to deliver an encouraging performance despite the challenging economic environment. The stamp of approval comes from none other than Deepak Parekh, Chairman, HDFC. "You will steer the bank to greater heights," said Parekh in a recent book release function.

"She is able to keep every constituent of the bank in good humor. Be it customers, employees, government (as owner) or the RBI," says a former SBI chairman. Today, Bhattacharya is fixated on the six strategic goals she set for the bank two years ago. "We have changed the way we do project screening and also monitoring," she says. The focused approach on NPAs has not only resulted in curbing bad assets growth, but has also helped in reducing gross NPAs by 70 basis points to 4.25 per cent in March this year.

Bhattacharya also did not hesitate to let go of a few defaulters, such as Hotel Leela and Bharati Shipyard, by selling them to asset reconstruction companies. In fact, the message has been clear to promoters: either come to the table and negotiate or deal with recovery companies. She has also introduced dynamic evaluation of larger projects to monitor any signs of stress or risks in advance.

Bhattacharya is laying the foundation for transforming the 208-year old public sector bank to make it appealing for the younger generation. The bank's origins date back to 1806 when Bank of Calcutta was set up. In 1921, Bank of Calcutta along with two other banks were merged to form Imperial bank of India, which then became State Bank of India in 1955 when the Reserve Bank of India (RBI) took majority ownership in the bank. Within months of taking charge, Bhattacharya cut the ribbon for half a dozen fully digital branches where a kiosk machine scans a customer's fingerprint, saves digital signature, takes a picture and scans required documents. There is absolutely minimum human intervention. She is now scaling up such cost-effective branches to 250 in the current year that would include a mix of new and existing branches. The task is cut out for the bank, which has 16,000-plus branches across the country. A fortnight ago, she also launched a mobile wallet to compete with the new generation private banks and also the PayTMs of the world in the retail payments space.

> "Arundhati Bhattacharya is laying a good foundation for the State Bank of India, especially in the mobile-driven new banking landscape"
> Vimal Bhandari,
> Former country head, AEGON India

Her work, however, does not end with launching a mobile application. She has been constantly on the lookout for innovations in the mobile banking space to keep abreast of the changing digital world and the opportunities it throws up. Two months ago, Bhattacharya landed in Bangalore along with her top management team to meet some technology geeks. As many as eight entrepreneurs made their presentations. "The purpose was to see what they have for us in the digital space," says Bhattacharya. She is now working with a couple of those entrepreneurs. Bhattacharya's stint as the chief general manager (new businesses) of the public sector bank six years ago comes in handy. She had successfully laid the foundation of three new businesses – general insurance, infrastructure fund and custodial – right from the conception stage. In a stint lasting one year and eight months, she sewed up three joint ventures – Insurance Australia Group for general insurance, Macquarie for infrastructure fund and Societe Generale for custodial business. "That was a period of intense negotiations, dealing with international law firms and also managing different time zones of joint venture partners," recalls Bhattacharya.

She also made the best use of her SBI capital markets stint from November 2012. One, it gave her an exposure to look at a project not just as a debt lender, but in its entirety from equity, hybrid instruments to debt. Two, she started pitching for qualified institutional placements (QIPs) and also got equity raising

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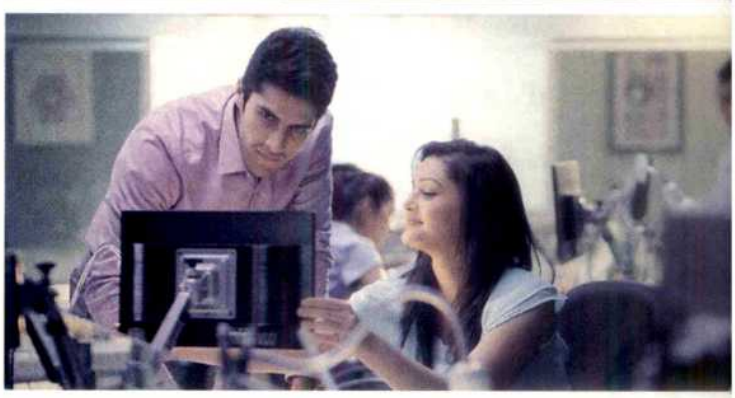

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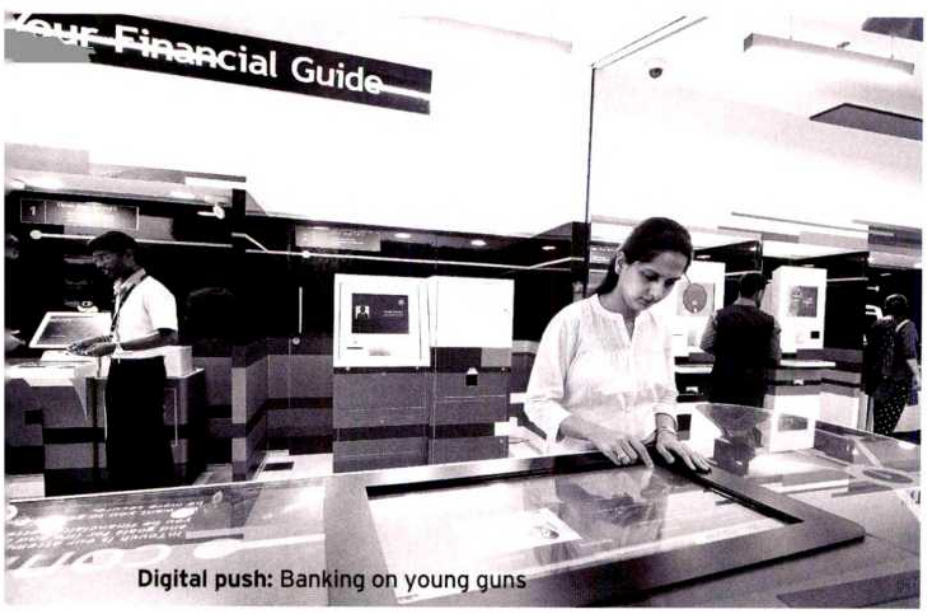
mandates for companies including NTPC, SAIL and CARE Ratings. Bhattacharya recalls her first few pitches to corporates drew a blank as SBI's capital market subsidiary was not as big a name in the market as the PSU bank. She told her team members that probably she's jinxed. "I had told them that they should go and do it on their own and I shouldn't be there," says Bhattacharya in a lighter vein.

That sense of humour has earned Bhattacharya the accolade of being a people's person. She has undertaken a large career development scheme linked to the performance of the bank's employees. The targets are more scientifically assigned based on the potential of the place. "We have also created groups or cohorts so that employees can see how they are performing within the cohorts," says Bhattacharya.



**Digital push:** Banking on young guns

The idea is to have a comparison. For example, comparing an employee in Bangalore to an employee in Noida or Gurgaon, but not with an employee stationed in Bhagalpur. As the bank is transforming by using digital channels, she says, new addition to the existing over 200,000 workforce will undergo change as digital channels require a different set of skills.

Bhattacharya often counsels people who are reluctant to take up transfers. Having worked in Kolkata, Lucknow, Bangalore and New York, she says a transfer actually enables employees to face some synthetic challenges. "A transfer also keeps your boredom away as it helps to keep you engaged," Bhattacharya smiles.

The SBI chief's journey to the top is undoubtedly paved with personal sacrifices. So where does she draw her inspiration and strengths from? Bhattacharya, fiercely independent in all her dealings, reveals that her mother and maternal aunt wielded a great influence on her. Both were self-made women in their own rights. During her growing up years at the Bhilai steel plant in Chhattisgarh, Bhattacharya found everyday-life to be extremely difficult for the family. Even for essential items one had to make a trip to nearby Raipur, which was about 30 kilometers away. She grew up seeing her mother making the most of her life – studying and practising homeopathy – without wasting time on cribbing. Her aunt earned two Masters degress before competing her BEd to make the best use of her time. When her aunt, who volunteered to take care of her daughter in the US had to leave because of visa issues, Bhattacharya had no option but to send her daughter back to Kolkata, where her mother and aunt took care of her. "I have had these two strong women in my life and they did influence me a lot," says Bhattacharya.

Even today, despite her chock-a-block schedule, Bhattacharya, a student of English literature who dreamt of becoming a writer, manages to take time out to read. She recently finished reading a book: 'Lady, you are not a man! ', where the author, Apurva Purohit, talks about women's quest for a work-life balance. The next book engaging her attention is *The Great Golden Sacrifice of Mahabharata* by Maggi Lidchi. She doles out traces of that wisdom in conferences, seminars or while writing to shareholders and employees.

Recently, she picked up Hollywood hunk Sylvester Stallone's dialogue in *Rocky*. "Life is not about how hard of a hit you can give. It's about how many you can take and still keep moving forward." Read it as a message to the competitors from the rock-steady lady who still has one year at the helm of affairs at SBI. ◆

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**Ipsita Dasgupta:** In love with manufacturing

RACHIT GOSWAMI

# JILL OF ALL TRADES

Ipsita Dasgupta has been the engine behind GE's growth in South Asia.

By SARIKA MALHOTRA

She can start her day with a conversation about deep-sea drilling and end it with a talk about infant mortality; and in the middle of the day there can be a discussion or two about locomotive engines. "Being in manufacturing is the most amazing experience in the world. It's unique, it's exciting, and you learn every single moment," says Ipsita Dasgupta, Chief Commercial Officer, GE, South Asia.

Dasgupta should know, for she is responsible for GE's commercial strategy in the South Asia region. The role entails marketing and strategy, new products and solutions as well as business development. It's a key job considering that South Asia is one of the fastest-growing regions for GE. The company's India operations, with 10 manufacturing facilities, account for 13,000 people. As per data with the Ministry of Corporate Affairs, the total income of 10 India subsidiaries and joint ventures of GE, such as Wipro GE Healthcare and GE India Industrial

Pvt Ltd, was ₹7,667 crore in 2013/14, about 8 per cent more than in the previous year. However, their total loss was ₹35.8 crore. In 2014/15 the US conglomerate clocked in revenues of $148.6 billion and got orders worth $50 billion in growth markets.

"India is our biggest market in the region. It's very important for us," says Dasgupta, who is focusing on two areas – one is 'In India for India', that is, localising products and services to suit the Indian market, while the second is 'India for the World', making products and solutions that can be sold across the globe. Dasgupta says GE wants to localise in every manner. "We have built a state-of-the-art, one-of-a-kind manufacturing facility in Pune where we manufacture for both India and the world. The strategy is to build a big enough market to justify the plant's existence in India."

GE has also opened in Bangalore its first and largest global lab outside the US. The idea, Dasgupta says, is to go for disruptive innovation and find solutions through talent developed in India. In 2014/15, she worked on building the China strategic marketing team and pivoted strategy for two of GE's biggest businesses – oil and gas and renewables. She also built a go-to-market strategy for Bangladesh that focused on partnership with the ready-made garment sector. She also built a methodology and execution plan for GE's largest accounts that was adopted globally for all regions and businesses.

So, what does a usual day entail for her? "My day-to-day life involves matching customers' needs with the technologies that GE has to offer. We start with the market and work backwards," she says. Banmali Agrawala, the President and CEO of GE South Asia, says she is one of the savviest persons in the team whose capabilities are well-respected in all of GE. "For her, investing time with customers in emerging markets makes more sense than harvesting her career with corporate staff roles at global headquarters." He says Dasgupta has a strong mind and is always challenging status quo. "I am often at the receiving end of this. In China, for example, she could conclusively establish how we were missing out on a large market opportunity in a business, despite the fact that we were growing well."

"My day-to-day life involves matching customers' needs with the technologies that GE offers. We start with the market and work backwards"

Nitin Nohria, Dean, Harvard Business School, who first met Dasgupta as a student, says, "She worked with me on a study to explore venture capital (VC) and private equity (PE) opportunities in India. At one point, I suggested that she and her team spend some time with Indian entrepreneurs who were studying in our OPM programme. This was an eye-opening experience for Dasgupta and gave her a completely different view of what it was like to do business in India. It perhaps also sparked the arc of her career." Nohria says Dasgupta's success comes from the energy, passion and curiosity that she brings to everything she does. "I fell in love with the idea of business leadership at Harvard Business School. It showed me that the business world was still a path to making a difference and a sustainable impact, especially in emerging markets," says Dasgupta.

So, what will be the drivers for GE in South Asia? "Railways, oil and gas, renewables, and other infrastructure are all key drivers of growth. These are important sectors for us." Dasgupta says in health care, for example, India has access to best technologies in the world but not across the entire socio-economic spectrum. A part of our strategy is to increase affordability and accessibility, she says.

Dasgupta says manufacturing under 'Make In India' shall be a key driver of success. But she says that low cost is no longer a differentiator and so India's focus on manufacturing must incorporate its capabilities in IT. This, combined with the entrepreneurial DNA, puts India ahead of other emerging markets in its potential to deliver in a world of advanced and flexible manufacturing. This can be a key driver and so is a big part of our strategy, she says.

Where does she get her ideas from? "It's my meditation...some of my best thoughts come when I am swimming." An avid reader, Dasgupta used to read 45-50 books a year. But after motherhood, things have changed. Dasgupta says it is the three women (or girls) in her life that drive her – her mother and daughters. "My daughters inspire me. Even knowing their importance, there are days I'm a better business leader than a mother and the conflict is real. But I keep my resolve because I have daughters – they should believe they can be anyone they want to and that the privilege of motherhood should not hinder that in any way." ◆

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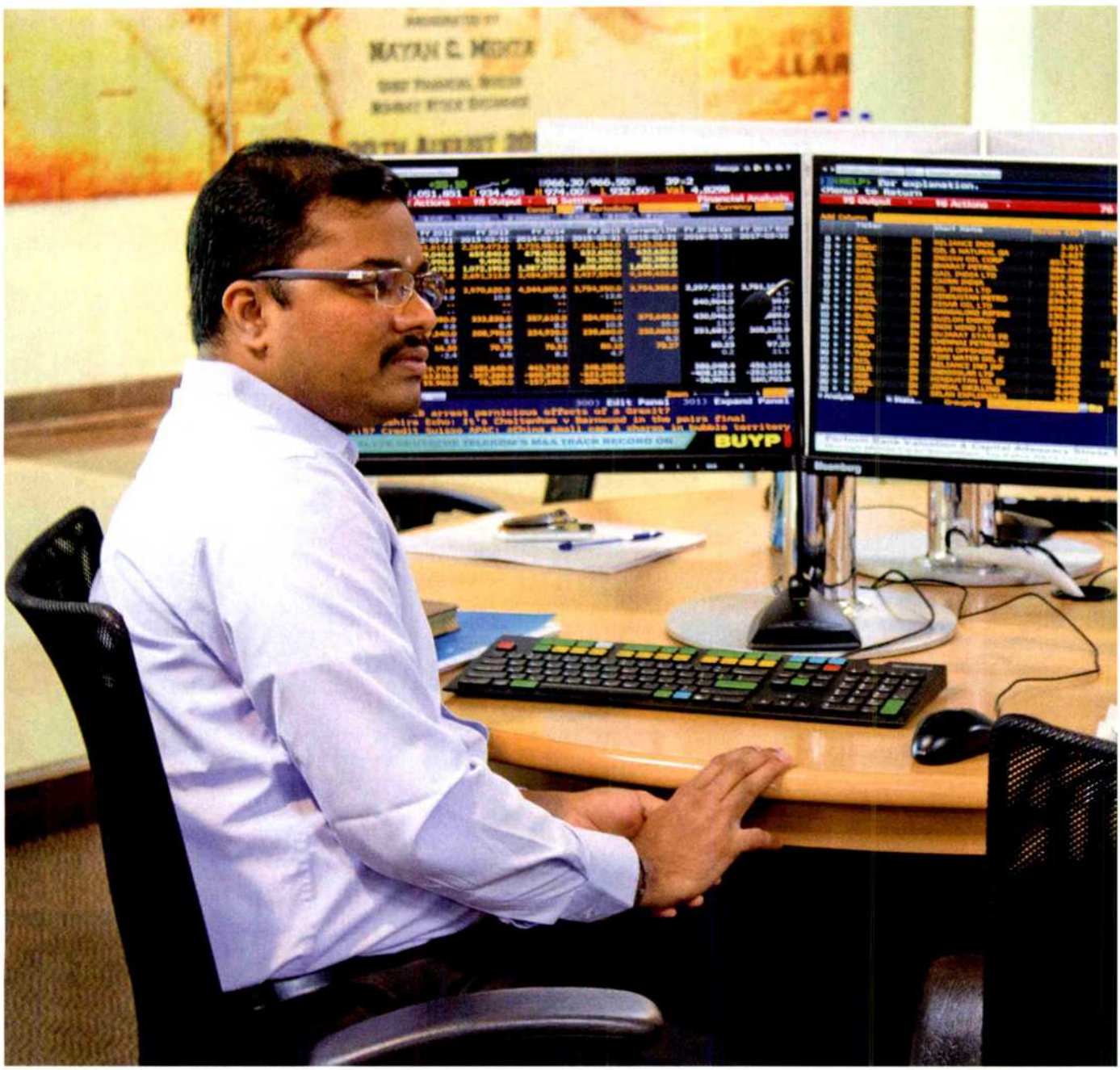

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# HATCHING A BUSINESS

Away from the limelight, Anuradha Desai is expanding her poultry empire.

By ALOKESH BHATTACHARYYA

Egging on: Anuradha Desai

MANDAR DEODHAR

Venkateshwara Hatcheries shot to fame – or infamy, depending on how you look at it – in November 2010, when it bought English Premier League football team Blackburn Rovers. One of only five teams to have ever won the Premier League, Blackburn was quickly relegated from the League after the deal following poor performance. Manager after manager was sacked, and Venky's got a reputation of being poor managers with abysmal understanding of football.

While that may or may not be off the mark, what is certain is that Venkateshwara Hatcheries sure understands its core business – poultry and all else associated with it. And much of that credit would go to the group's Chairperson, Anuradha Desai.

Desai, a lawyer by education, took over the empire that was started by her father, the late B.V. Rao, after his death in 1996. "There are some business leaders who keep doing their work without coming too much into the limelight," says Sachin Tayal, MD at Protiviti Consulting. "Desai is one of them." Tayal says the group has done both backward and forward integration, making it an integrated poultry company. "That is why it has achieved success." Over the years, she has added several related activities – such as eggs, egg powder, poultry feed, animal feed and vaccines.

The group has one listed company Venky's, which supplies chicken to groups like KFC, Pizza Hut, Domino's, etc. It also has its small chain of quick service restaurants called Venky's XPRS in South and West India. The company's revenues in 2014/15, at ₹1,730.81 crore, was stagnant compared to 2013/14, and profits dipped to ₹18.7 crore from ₹34 crore.

In her address to shareholders in the company's annual report, Desai says Venky's completed capacity expansion of poultry and poultry products segment, and set up a soya seeds processing plant during 2014/15. She adds that she expects performance to be better in 2015/16. Putting together other companies in the group – Venkateshwara Hatcheries Pvt Ltd, VenkyS (India) Ltd, Venco Research & Breeding Farm Pvt Ltd, Uttara Foods & Feeds Pvt Ltd, Eastern Hatcheries Pvt Ltd, Bala Industries & Entertainment Pvt Ltd – revenues grew 15.8 per cent to ₹6,573.67 crore in 2013/14, according to data from Registrar of Companies. Total profit was ₹202.87 crore. ◆

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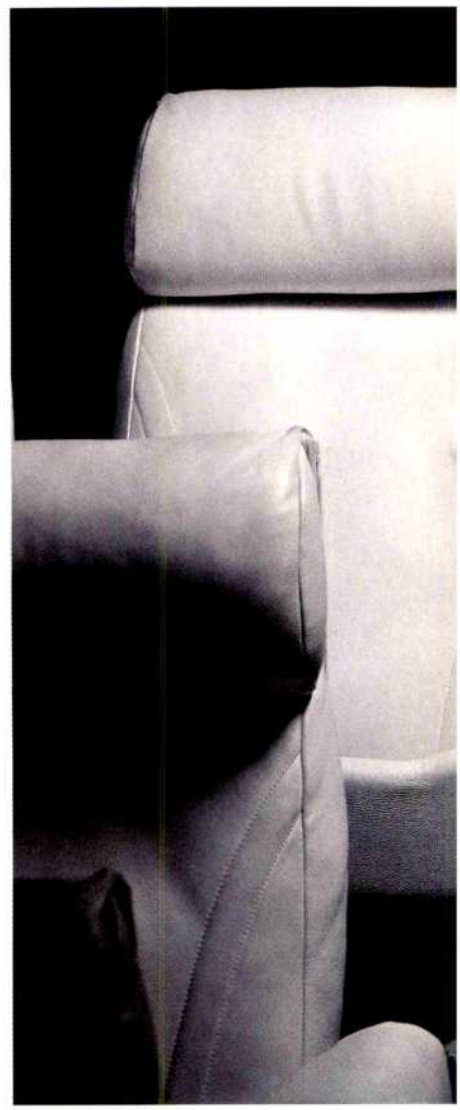
# SCREEN PRESENCE

For Jyoti Deshpande, life is not about survival, but to conquer the imaginations of the on- and off-screen audience. By ALOKESH BHATTACHARYYA



**Jyoti Deshpande, 45**
Group CEO & MD, Eros International

WHY SHE MATTERS: She heads India's biggest movie production and distribution company; one of the top influencers of Bollywood.

WHAT MATTERS TO HER: Respect; as a person who has overcome disability, the biggest disability is in the mind. Everything is possible.

BUSINESS IDOL: Kishore Lulla, Chairman of Eros, continues to inspire with his vision of being two steps ahead of the game and not being afraid to dream

Six-month-old girl gets pneumonia. Time comes for polio vaccine. Family doctor administers it. Next morning, girl unable to crawl. Left leg afflicted by polio. Thinks positive. Plays cricket with boys. Becomes head girl in government-aided school. While in college, gives tuitions to students from second to 12th standard to collect money for MBA. Does MBA from top B-school Narsee Monjee in Mumbai. Meets heartthrob in class. Marries him and moves to the UK. Joins Zee TV. Meets the owner of a movie distribution company. Convinces him to start his own television channel and joins his company. Decides to start producing films by acquiring rights of titles as they are being produced. Starts own productions, with movie stars as co-producers. Turns company into the Indian film industry's biggest, most powerful film-making and distributing entity. Where she is the Group CEO and Managing Director. Churns out hit after hit, taking the company to new frontiers of success... Phew!

Sounds like a fairy tale? Or, a Bollywood potboiler perhaps? Well, if Bollywood's top studio Eros International wants to buy the rights to the above story for a movie, they need look no further than their own corner room, at Jyoti Deshpande. Eros International is India's biggest movie production and distribution house with revenues of ₹1,071.7 crore in 2014/15 and profits of ₹124 crore, ahead of the likes of Yash Raj Films (revenues ₹500 crore in 2013/14) and Balaji Telefilms (revenues ₹210 crore in 2014/15), and the owner is Kishore Lulla, Eros's Chairman. The company makes 65 to 70 movies a year, 20 of them Hindi movies, the rest in regional languages.

**In the hot seat:** After conquering the big screen, Deshpande is poised to make it big on the small screen

RACHIT GOSWAMI

As Deshpande watches a teaser of *Bajirao Mastani* – a period Hindi film starring Ranveer Singh, Deepika Padukone and Priyanka Chopra to be released on December 18 – on the large screen in her office auditorium in Mumbai, one can sense the feeling of ownership in the way she reacts and explains the nuances to everyone. After all, this is a project that she saw from scratch, from the script stage to today, when plans for the movie's promotion are being readied.

That is Deshpande for you – energy, charm, boyish smile and effective. At 45, the daughter of a journalist who worked with *Indian Express* and *Free Press Journal* has been with Eros since 1998, and has grown the firm along with Lulla from a mere distributor of Hindi films in international markets, to one that actually produces some of the biggest hits in the film industry today.

This year's biggest hit, *Bajrangi Bhaijaan* starring Salman Khan, grossed ₹320 crore in the Indian box office in seven weeks (it's still playing). *Tanu Weds Manu Returns*, a mid-budget movie starring national award winner Kangana Ranaut, has crossed ₹150 crore. Other films that got critical attention and high decibels were *Badlapur* and *NH10*. "Jyoti is one of the most impactful individuals in our industry today," says Vikram Malhotra, CEO, Abundantia Entertainment and former COO of Viacom18, who has known Deshpande for quite some time. "She is a perfect blend of an entrepreneur and

an executive, which is critical for long term success. Apart from having superb business acumen, she also understands the creative pulse that has enabled the studio to come up with powerful content."

After delivering big successes on the movie front, Deshpande's focus is now on another frontier: digital. "We have invested in every wave of technology," explains Deshpande. "We've done it with VHS, done it with DVDs, done it with TV licensing, now the whole digital opportunity stands before us."

And the lynchpin of that entire strategy is Eros Now, a web portal that dishes out entertainment from latest movies to movie trailers to music videos to music albums to television shows to older movies to regional content movies, music, even entertainment gossip. "Pakistani shows from Hum TV, etc., are the most popular among TV aggregated content," says Deshpande. "But the differentiation will come from our (Eros's) movies and our originals."

Eros is making this content – both its own and licensed from others like Disney and Viacom – free of cost. "We're building a business; in the next three years, we will invest in growing a base of 100 million users (it currently has 26.5 registered users)," says Deshpande. "Then we will work towards converting a large proportion of that user base to sticky, recurring, paying subscribers." She adds that Eros has already spent about $40 million to $50 million in the last two years, and will spend at least $25 million to $30 million every year for the next three years to build Eros Now.

Converting to paid subscribers is the big 'if'. "If they stop free content totally, it won't work," says Murtuza Kachwala, Managing Director with Protiviti India. "It has to be a mix of free and paid. People can come to the portal for free content, and then find other content that they like which they pay for." Which is precisely the strategy that Eros is going ahead with.

> "Jyoti is one of the most impactful individuals in our industry today... perfect blend of an entrepreneur and an executive"
>
> Vikram Malhotra,
> CEO, Abundantia Entertainment

"We think there's a bunch (of subscribers) who will never pay and we will use digital advertising to monetise those audiences," says Deshpande. "Then there will be a bunch who will work on a transactional basis – they will want a day pass, weekend pass or single access." To that end, she is planning to launch packages of ₹20 for three days and ₹50 and ₹100 for the one month premium packages with special features like the ability to watch offline, create a family account, portability across devices etc. These packages will be launched next quarter.

The biggest draw, of course, will be Eros's own movie library of more than 3,000 films, a large chunk of which are big grossers. "Netflix (the $5.5-billion streaming media company) got there by aggregating content and delivering on a streaming platform," says Deshpande. "Today it has begun investing in its own content. For Eros, the starting point is content ownership. We want to give a full breadth of content – movies, music, music videos, television catch-up shows, and we are creating our own original TV shows, which are available in boxes. You can see 13 episodes of a serial over a weekend completely ad free. That's the future." So bullish is Deshpande on Eros Now that she believes in three years, its contribution to Eros's revenues will be 25 per cent, and in five years, 50 per cent.

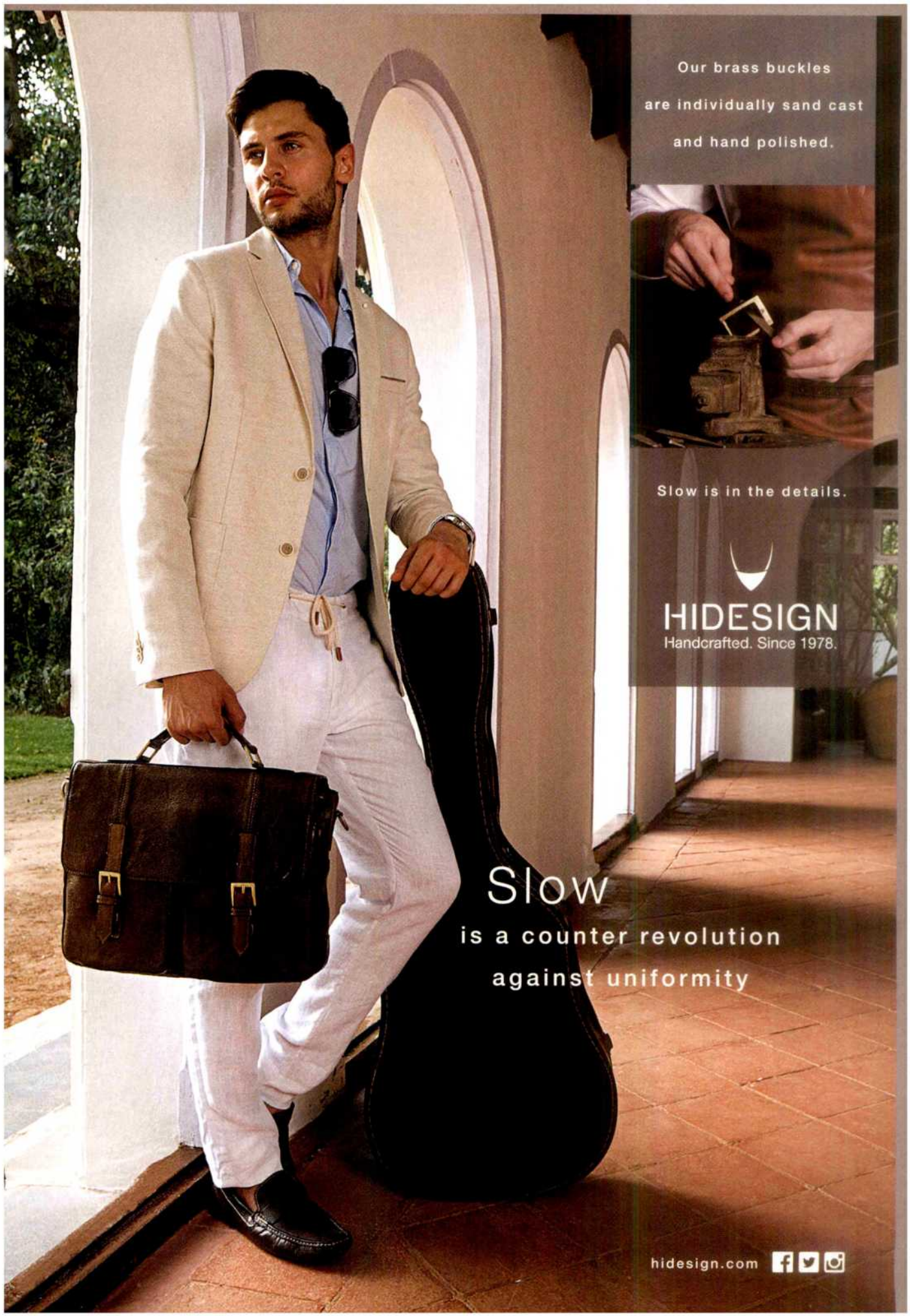
"They have taken the first-mover advantage," says Protiviti's Kachwala. "But the next big thing is Reliance Jio. Once Jio is live, they will bring in IPTV, movies. Jio's model will make or break other players." Kachwala adds that Eros should tie up with Reliance Jio to get more subscribers.

On the movie front, Deshpande is looking at new growth markets. "We'll look at Indo-China co-productions, Indonesian content, Korean content, not just Indian movies releasing there, but also local collaborations so that our content becomes more salient in those markets and gets a bigger share." Already, Eros is looking at doing projects with a couple of Chinese companies. The logic is simple. A joint production with Chinese movie stars can release in 23,000 screens across China, compared to just 4,500 screens in India. The budgets for such films are higher ($20 million to $25 million, compared to $15 million for a top starrer in Hindi), and so are the potential returns. "In China alone the film can gross more than $100 million, which is more than our worldwide gross today for a single film," says Deshpande.

That's her mantra for growth. Sounds like a fairy tale? Now, where have we heard that before... ◆

WITH INPUTS FROM
AJITA SHASHIDHAR

*@alokeshb; AjitaShashidhar*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Neelam Dhawan, 55
Managing Director,
Hewlett-Packard India

# COMPUTING POWER

Neelam Dhawan is preparing HP India to take advantage of new business opportunities.

By GOUTAM DAS

VIVAN MEHRA

**Gearing up:** Dhawan will have a challenging time ahead as HP, globally, splits into two

Neelam Dhawan, draped in a brown saree, paced herself onto the stage as soon as *Whistle Baja*, the film *Heropanti's* hit tune, died down. She welcomed tech professionals at HP's World Tour event in Mumbai earlier this year, and proceeded to deliver a well-structured speech. Dhawan spoke of India's changing demographics, the impatience of the young and the need for companies to keep pace with their expectations. "The future of India is not going to waste time standing in lines," she said. She then cut to what she described as the new business opportunity — smart cities. "Smart cities will be the biggest transformation that will impact business," she said.

If US rival IBM can go hammer and tongs at smart cities, can HP be far away? Dhawan does not want to cede any ground – she hasn't in the last year, going by trade magazine Dataquest's mathematics. It ranks HP as India's fifth-largest IT company by revenue in 2014/15 after TCS, Cognizant, Infosys, and Wipro. The company's revenues during the year grew 4 per cent to ₹37,985 crore. That also makes HP India's largest IT multinational, above IBM India (revenues ₹20,442 crore).

While smart cities are opportunities of the future, a lot must have gone right at the company in 2014/15. Dhawan did not speak to *BT* since the company was in a silent period. However, Naveen Mishra, Research Director at advisory firm Gartner, sheds light. "In 2015, we have seen HP going through a big change, as part of a global shift. HP India has strengthened its presence in the infrastructure market, especially storage and networking areas where they gained share," he said.

Dhawan, of course, will have a tough time ahead as HP, globally, splits into two on November 1 – Hewlett Packard Enterprise will provide IT solutions and infrastructure while HP Inc. will make and sell its personal systems and printing businesses. But then Dhawan is as seasoned as it gets. Before HP, she was the MD of Microsoft India. She is best described by a former colleague who says she is "remarkably successful", "one of the finest sales leaders" and one who "likes winning". ◆

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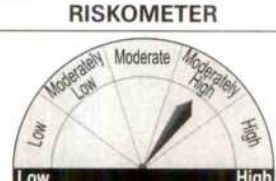
| • Long term wealth creation solution<br>• A focused large cap equity fund that aims for growth by investing in companies in the large cap category. |  <br>Investors understand that their principal will be at moderately high risk |
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# WOMAN WITH DESIGN

The creative mind behind the House of Anita Dongre is changing lives of traditional artisans.

By SARIKA MALHOTRA

"It's a long cherished dream coming true," says Anita Dongre, adding that Grassroot, which was launched in August 2015, is a culmination of everything that she stands for, lived by and believes in: earth-, eco- and animal-friendly. Dongre says among all her creations, Grassroot is the closest to her heart. "I always wanted to do something with traditional Indian crafts which are so real, earthy and rich. I wanted to restore the handicraft and heirloom tradition of India, and it is just that."

Fiscal 2014/15 was also about growth and consolidation. She renamed her company, AND Designs India, to House of Anita Dongre. The move, she says, was in line with her expansion strategy: "With this, we have bundled all corporate functions, fashion verticals and group brands – AND, Global Desi and Anita Dongre – under one roof. It helped in consolidating operations across all brands, encompassing design, production, merchandising and marketing, and will provide seamless integration, greater efficiencies and improved control over systems and processes."

House of Anita Dongre comprises over 2,500 employees, with 650 points of sale across 60 cities, including 150 exclusive brand outlets. The year also saw Dongre foraying big time into the international market with a flagship store in Mauritius in November 2014 and the launch of retailing jewellery brand PINKCITY in Dubai from February this year.

No wonder, private equity fund General Atlantic, which took a minority stake in the company in 2013, is bullish. Sandeep Naik, Managing Director and Head of India for General Atlantic, says that Dongre is focused on creating fashion that's exclusive, yet attainable, and not made for a select few. "Anita and her team are passionate and ambitious and have a mission to create a global fashion house. The organisation's values of customer-first, ownership, creativity, and agility hold them in good stead," says Naik, adding: "Despite her busy schedule, she makes time to personally read through almost all customer feedback and complaints, and how they were handled by her organisation."

Elaborating on Grassroot, Dongre says that the craft industry is dying every day. "The need of the hour is to have fashion houses, like ours, partner artisans and help sustain their longstanding work. We, as a fashion house, back the artisans with a design platform to showcase their work, ensuring it is a win-win partnership for both of us. Our design teams travel to villages along with NGOs to study their crafts and create a contemporary design language with global appeal." Grassroot is working with twelve crafts and eight weaves, including *Banaras*, *Ikat*, *Khadi*, *Bhagalpur Silk*, *Chikankari*, Block Prints, *Bandhani* and *Warli* paintings. It is partnering closely with NGOs and artisans across Gujarat, Punjab, Madhya Pradesh, Andhra Pradesh and Uttar Pradesh. For example, Grassroot has joined hands with SEWA Trade Facilitation Centre to ensure 100 days employment to women artisans from four Gujarat villages. Payment for each piece is evaluated

"We back traditional artisans to showcase their work... and help in creating a contemporary design language with global appeal"

**Cosmopolitan canvas:** Anita Dongre has been promoting Indian art on the global stage

MANDAR DEODHAR

## Anita Dongre, 51

Chief Creative Officer, House of Anita Dongre

WHY SHE MATTERS: Marrying traditional Indian art with contemporary fashion.

WHAT MATTERS TO HER: Integrity and passion.

BUSINESS IDOL: India's traditional artisans.

by the NGO depending on the number of hours put in and the complexity of the design. The final product is competitively priced to create more demand and, thereby, making the model sustainable.

In 2013/14, And Design India had clocked revenues of ₹216 crore. But, what has made Dongre click, while most designers seem to have lost the plot when it comes to commerce and scaling up? Says B.S. Nagesh, founder, Trust for Retailers and Retail Associates of India: "Most designers make what they want to make, but she designs keeping the consumer in mind. The other thing that works is the fact that she has kept the business and designing aspects demarcated. The team led by Mukesh Sawlani is handling the business, while designing and creative part is all hers. This is a great combination at work."

For now, AND contributes about 48 per cent to the company's overall sales, and Dongre is planning to go big on ecommerce and establish its presence in Tier-III cities. "Grassroot will give the much-needed dignity that our weavers so deserve, ensure fair wages and, above all, ensure our handloom and cultural legacy continues," Dongre signs off. ◆

*@sarikamalhotra2*

# BRAND STRATEGIST

Tanya Dubash is changing the Godrej Group into a brand that appeals to the young. By P.B. JAYAKUMAR and AJITA SHASHIDHAR

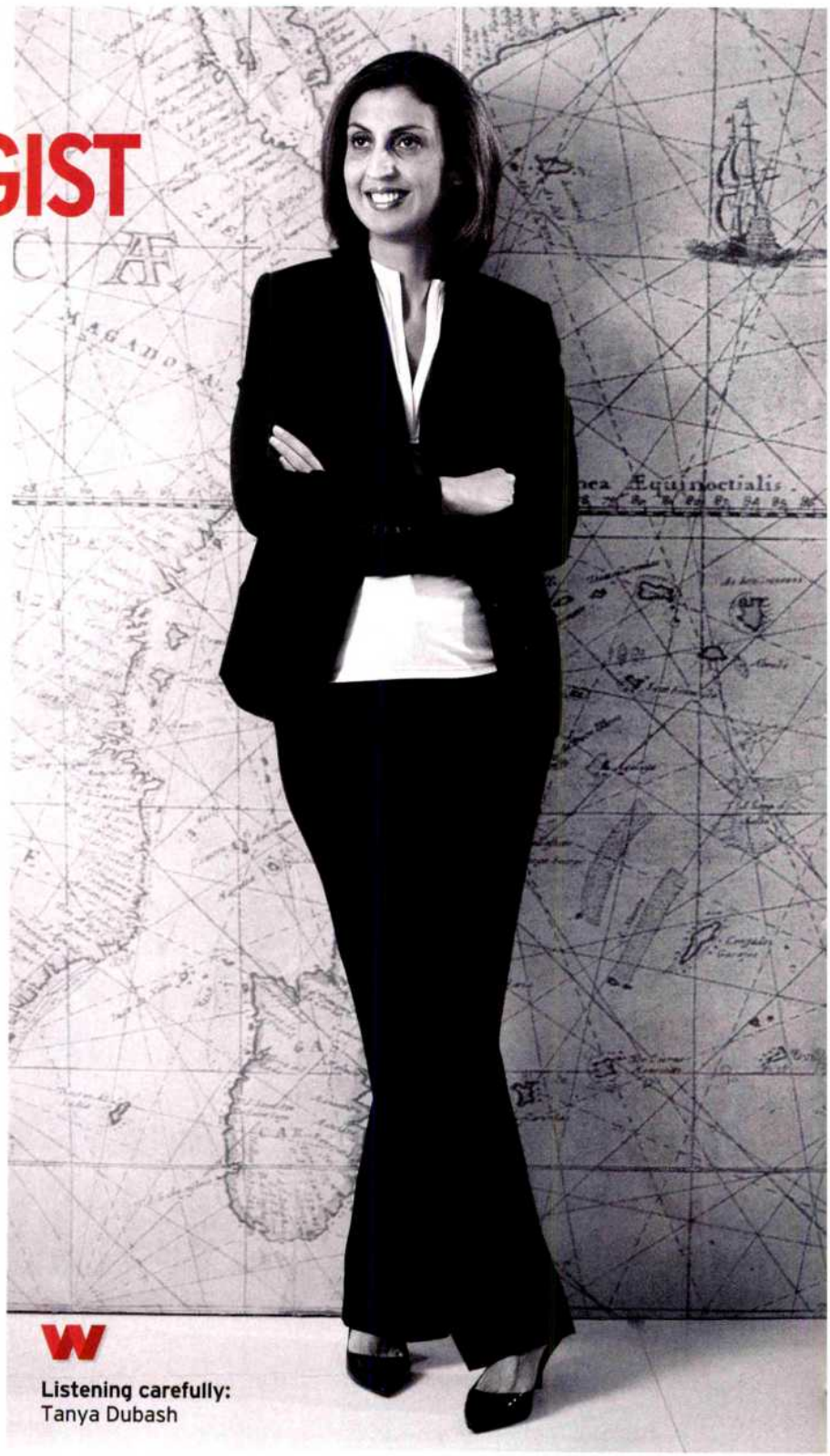
At the Godrej family home, business is the most talked about topic at dinner time. Years ago, when conversation veered towards how the century-old

**Tanya Dubash, 48**
Executive Director and Chief Brand Officer, Godrej Group

WHY SHE MATTERS:
She is spearheading transformation of the 118-year-old Godrej into a young and aspirational brand.

WHAT MATTERS TO HER:
Humility. She even listens to junior employees and then takes decisions.

BUSINESS IDOL: Father and Godrej Group Chairman Adi Godrej.



NISHIKANT GAMRE

**Listening carefully:** Tanya Dubash

family business was being looked upon as an ageing brand, Tanya Dubash, the eldest daughter of Godrej Group Chairman Adi Godrej, quickly got into action.

The company's myriad businesses – from locks to soaps and mosquito repellents to real estate – were touching the lives of 400 million Indians. The Godrej name was considered trustworthy and dependable. The only problem was that it did not seem to be appealing to the young. As more than half of India's population is below 25, Godrej could not take it easy.

After deliberations, Dubash, known among other things for a sharp marketing mind, decided to take up the responsibility for a re-branding exercise in 2008, called Godrej Masterbrand Strategy. She roped in the UK-based brand valuation company Interbrand and used its suggestions to come up with a plan to create a strong brand franchise focused on building cutting-edge products and changing the strategy for retail as well as attracting talent.

Ensuring 'Brighter Living' to consumers and other stakeholders became the group's new brand promise. It also did away with its red corporate identity and moved to a more vibrant one with shades of green, pink and blue.

Interbrand valued the Godrej brand at $2.9 billion in 2010. Dubash set a goal of growing it 10 times in 10 years. Though the company hasn't undertaken another brand valuation exercise, Shirish Joshi, the COO of Strategic Marketing Group at Godrej, claims that the value of the Godrej brand is now more than $4.1 billion. "We set ourselves a target of growing by 25-26 per cent year-on-year. We have been consistently clocking that rate since 2010."

> "One of Tanya's biggest contributions has been singly re-inventing the brand and logo in tune with the taste of modern consumers across the globe"
>
> **Bala Balachandran**
> Professor, Kellogg School of Management at Northwestern University

At the product level, Godrej is no longer just about soaps and locks. From premium hair and personal care products to washing machines that emit ultrasonic rays and remove stains within minutes and door cameras that can store up to 100 photographs to frozen *vada pavs*, the offerings are now all about brighter and smarter living. "One of Tanya's biggest contributions in the past few years has been re-inventing the brand and logo in tune with the taste of modern consumers across the globe," says Bala Balachandran, Professor of Accounting and Information Management at Kellogg School of Management at Northwestern University and founder and Dean of Great Lakes Institute of Management. He was on the board of Godrej Consumer Products from 2004 to 2015.

The re-positioning led by Dubash, according to A. Mahendran, former Managing Director of Godrej Consumer Products, not only resulted in robust revenue growth for the group but also helped it attract better talent.

The group is now in the second phase of its Masterbrand strategy. Now, the focus is on going digital.
The most noteworthy initiative is from Godrej Nature's Basket, the group's premium food retail chain, which has partnered with online marketplaces such as Snapdeal and Amazon for distributing its products. Nature's Basket has also forayed into omni-channel retail. "Digital is going to be a major focus across all businesses. It will help us create differentiation," Dubash had told *Business Today* in an earlier interview.

Dubash once said that had she not been a part of Godrej, she would have probably been a teacher or a counsellor. Her colleagues at work say she is humility personified. "If you were to put a CAGR (compound annual growth rate) to Tanya's growth as a business woman, I would say that it is not only consistent but probably higher than most of her woman counterparts in the industry. However, what stands out is her humility," says Mahendran.

Balachandran of Kellogg agrees with this view. "She is a good listener and learner. She listens to junior employees and then takes decisions. She is humble, soft and a good human being who respects both her elders and her subordinates." ◆

*@pb_pbjayan; @AjitaShashidhar*

Shanti Ekambaram, 53

President, Consumer Banking, Kotak Mahindra Bank

WHY SHE MATTERS: She is driving digital innovations at Kotak which integrate conventional banking with social media

WHAT MATTERS TO HER: Integrity and work ethics. It is important for people to love what they do. On the personal front, my family matters to me the most. I also feel that it is important to give back to the society in whatever small ways one can.

BUSINESS IDOL: I have been inspired by various people, companies and events at different points of time. My biggest inspiration comes from my team.

Going the distance: Shanti Ekambaram

RACHIT GOSWAMI

# BANKER FOR ALL SEASONS

Focusing strongly on the digital platform, Shanti Ekambaram is reaching out to an ever growing number of customers.

By SARIKA MALHOTRA

There have been two vital changes in Shanti Ekambaram's professional life in the last 18 months. First, after 23 years in investment and corporate banking at Kotak Mahindra Bank, the last 11 of them as head of the division, she was shifted to President of the consumer banking business in April 2014. "It needed a change in mindset and approach," she says. "In corporate banking, I spent time building client franchise, including cover-

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age, being involved in large deals and credit. Consumer banking, on the other hand, is more of driving people, processes and products, and of course, deep analysis of channels, product and technology trends. Detailed management information systems and numbers are the key." But she has adjusted well with the division's earnings growing over 20 per cent – from ₹793 crore in 2013/14 to ₹957 crore in 2014/15. "It is an exciting role and I'm enjoying it," she adds. "Ultimately, both businesses are about people and customers."

The other was ING Vyasa Bank's merger with Kotak Bank on the first day of the current financial year, which expanded her portfolio size considerably. It made Kotak Bank the fourth largest private bank in the country – after ICICI Bank, HDFC Bank and Axis Bank – adding another 2 million customers to Kotak Bank's 8 million, another 573 branches to Kotak's 641, along with 635 ATMs to Kotak's existing 1,159. The integration process is still on – the retail asset business is expected to merge fully in the third or fourth quarter of the current financial year and the branches by April 2016. "The merger is leading to great benefits," says Ekambaram. "It has almost doubled our network and given us a balanced presence across the country. Earlier, we had wide presence in the West and North, while ING Vyasa was strong in the South. We now have an opportunity to leverage this larger network and customer base to cross-sell liability, investment and asset products." ING's strong presence in the SME segment and impressive array of multinational clients will also help Kotak. "ING has sound digital banking models which will be a good learning for us too," she adds.

Ekambaram knows digital banking is the future, and her stint as consumer banking head has seen the bank launch a series of innovative digital solutions – Social Commerce, KayPay, Kotak Bharat, etc. Social Commerce enables bank customers to make online purchases using Twitter, while through KayPay they can transfer funds to any of their contacts – be they on Facebook, Google+, email or telephone – even without knowing the latter's bank details. Kotak Bharat, a multilingual mobile app, allows customers to manage their accounts through SMSs, without any Internet connection.

More solutions for areas with poor internet connectivity – Tier III towns and villages – are being worked out. "Traditionally, retail banking focused on affluent customer segments," she says. "But the digital channel gives us an opportunity to reach out to what is known as the 'long tail' or the mass customer base. This would normally be expensive, but cost economies become favourable using the digital platform." Around six to seven per cent of Kotak Mahindra Bank's new accounts are opened online, way ahead of the industry average of two to three per cent. Around 30 per cent of its customers use their mobiles for banking transactions, one of the highest in the banking industry.

> "Even when markets are volatile and the business environment difficult, she goes the extra mile to reassure her clients and think from their perspective"
> Joydeep Sengupta,
> Managing Partner, McKinsey

Uday Kotak, founder, Executive Vice Chairman and Managing Director of the bank, knows he has picked a winner. "I invited Shanti to join us when we were a small and young team," he says. (Ekambaram began her career with a short stint at Bank of Nova Scotia.) "She had fire and commitment, which really impressed me. Her energy and passion have not reduced one bit over the years." Her clients are just as effusive. "She always has the customer in mind," says Joydeep Sengupta, Managing Partner and Head of Asia Pacific Banking, McKinsey & Co, who has known her for 15 years. "When she was in corporate banking, she made every effort to develop a good relationship with her clients on a consistent basis. Even when markets are volatile and the business environment difficult, she goes the extra mile to reassure her clients and think from their perspective."

Ekambaram has her interests outside banking too. She is deeply involved with the Society of Parents of Children with Autistic Disorders (SOPAN), on whose premises she spends most of her weekends. She is also a marathon runner, who has been running the Standard Chartered Mumbai Marathon for the last seven years, raising funds for charity. "It's better than just writing a cheque," she says. "It's important to give back to society in whatever small ways one can." A fitness and yoga enthusiast, she also finds time for trekking, movies and most of all, her family. ◆

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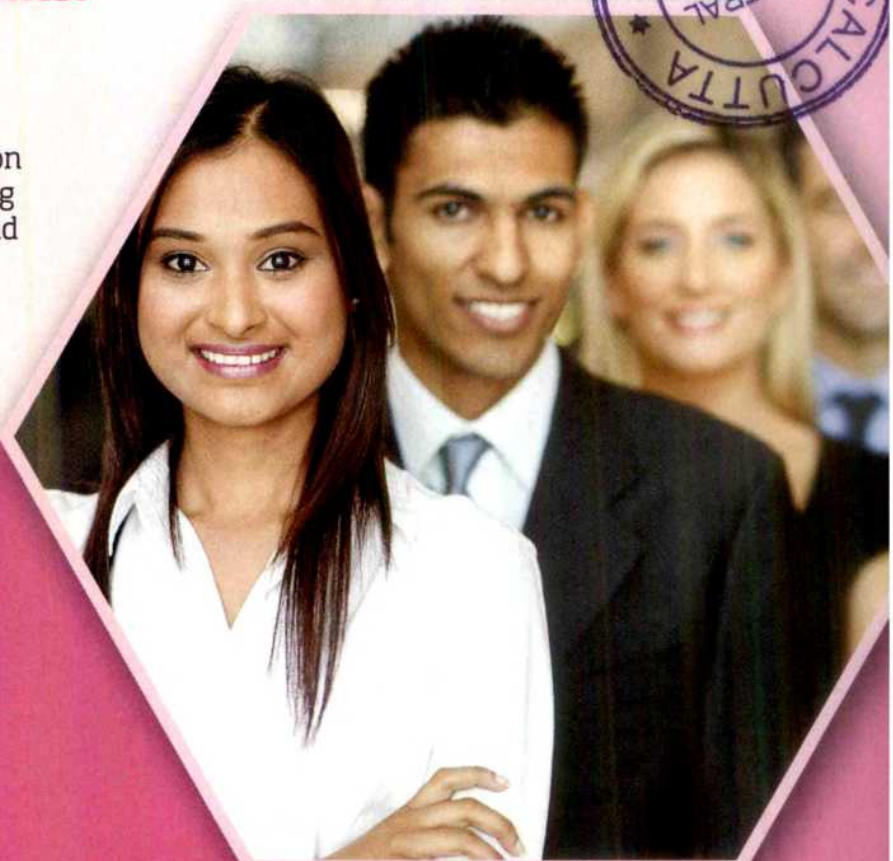

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# THE ACQUISITIVE INSTINCT

Lupin's Vinita Gupta feels her decisions have not gone wrong on most occasions. By P.B. JAYAKUMAR

**Vinita Gupta, 47**
Chief Executive Officer, Lupin

WHY SHE MATTERS: Heads Lupin's international business, including the US, Europe, West Asia, Africa, and Latin America, and the mergers and acquisition strategy within these geographies

WHAT MATTERS TO HER: Work is most important to Vinita. However, striking a work-life balance to make time for her 10-year-old son, while nurturing Lupin's global business is also central to the 47-year-old mother

BUSINESS IDOL: Father and Lupin founder Chairman D.B. Gupta, who, she says, is the most difficult person to convince when it comes to business decisions, especially on the mergers and acquisitions front

The Lupin CEO's infectious enthusiasm has taken the third-largest Indian drug company to a new level. Today, it is the only Asian company to figure in the list of top 10 largest and fastest-growing companies (by prescriptions) in the US, according to IMS Health, which tracks drug sales globally.

The eldest of Lupin founder and Chairman D.B. Gupta's five children, she graduated in pharmacy from the University of Mumbai, and later earned her MBA degree from J.L. Kellogg Graduate School of Management. After almost a decade as Lupin's global business head for US-Europe and other western markets, and as the mergers and acquisition head, Vinita, 47, has an impressive scorecard.

In 2005, when she moved to the US to take charge of the US and European business, it contributed barely below 5 per cent of Lupin's overall revenues of $270 million. Today, the US division alone contributes 45 per cent of the company's ₹12,770-crore turnover. The US business grew 16 per cent to ₹5,657 crore in 2014/15, backed by 12 new product launches during the year. Currently, out of the company's 77 products in the US, 31 are market leaders.

Vinita travels a lot to monitor the pharmaceuticals markets across Europe, Latin America, Africa and West Asia, and is aggressive with her direct marketing initiatives and brand acquisitions.

This year alone, Lupin has acquired five companies in South Africa, Russia, the US, Germany and Brazil. The acquisition of Gavis in the US for $880 million in July will be a big boost for the company's future. "Gavis has some 66 products pending for approval and another 65 products under development," says Vinita, adding that the acquisition helped Lupin to have its first manufacturing facility in the US.

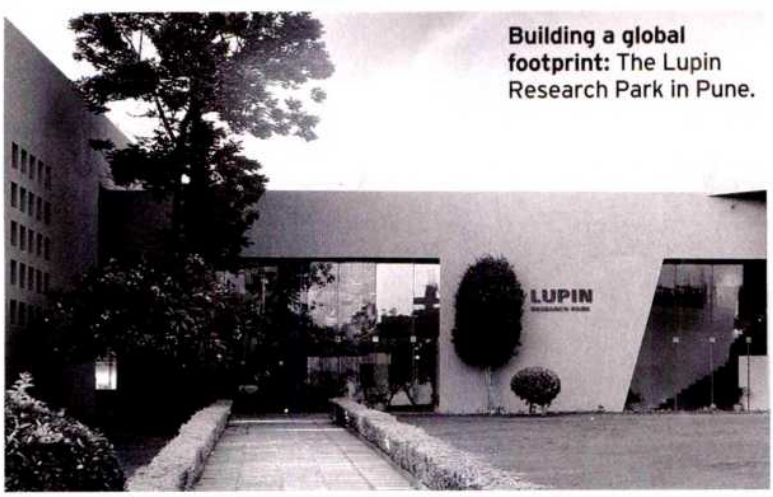
Under Vinita's leadership, Lupin has acquired specialty products of Temmler Pharma in Germany, and Goanna brand premium therapeutic oils, rubs and ointments in Australia. Besides, she has played an im-

**Action Point:**
Vinita Gupta is focused and passionate

RACHIT GOSWAMI

portant role in globalising Lupin, with a dozen acquisitions in the past decade to create marketing front ends in various geographies such as Pharma Dynamics in South Africa, Multicare Pharma in Philippines, Nanomi in Netherlands, Grin SA De CV in Mexico, Medquimica in Brazil and Biocom in Russia.

Lupin's anti-infective Suprax (cefixime), which commands a market size of $100 million, for example, is one of the fastest growing products in the US drug market. It also marked Lupin's entry into the US market for branded finished products and created a specialty pediatric sales force under the US subsidiary Lupin Pharmaceuticals Inc. In 2009, Lupin acquired the US rights for Antara, the cholesterol-lowering medication from Oscient Pharmaceuticals, which was facing bankruptcy, for ₹185 crore. Today, different versions of Antara generate over $60 million to $65 million annually, despite generic competition in recent months from companies such as Mylan.




**Building a global footprint:** The Lupin Research Park in Pune.

"Vinita is clear in her thoughts, takes speedy decisions and is aggressive. She is evaluated like any other professional working in Lupin"
Kamal Sharma, Vice Chairman, Lupin

"Gavis acquisition offers complementary synergies (first US manufacturing plant, controlled substances and derma capabilities) and the business expects to contribute $300 million to Lupin's US revenues by 2017/18," say Edelweiss analysts Anshuman Gupta and Rahul Solanki.

"I know Vinita since I joined the strategic advisory board of Lupin. I have been impressed by her strategic capabilities and the clarity of vision. I was similarly impressed by her executional capabilities, which turned into fast and effective execution of the decisions taken. More than that, she is people and team oriented, and creates an inclusive environment, where people are heard and are involved in setting the strategy and effectively implementing it," says Francesco Granata, Senior Advisor at Warburg Pincus.

Vinita is also impeccable when it comes to work-life balance, making sure her 10-year-old son Krish gets all the attention he needs. "My husband is quite supportive," she says. Vinita says she interacts every day with her younger brother and Lupin's Managing Director Nilesh to discuss business developments and strategies. "We don't differ much on ideas and agree nine out of ten times. If he does, I think over it again and again to correct." The feelings are mutual. "Vinita is very supportive, works hard and shows a lot of passion in work," says Nilesh. Vinita feels her decisions have not gone wrong on most occasions. The toughest part of the job, she says, has been to give convincing answers to her father on business decisions, especially when it came to acquisitions and major investments. "Both Vinita and Nilesh are clear in their thoughts, take speedy decisions and are aggressive. They are also evaluated like any other professional working in Lupin," says Kamal Sharma, their mentor and Vice Chairman of Lupin.

The company is also transforming from a predominantly generic company to a branded generics, specialty and complex generics-focused company. The target is to become a $5 billion turnover company by 2018. "Lupin has the capability to launch 100-120 products in the US over the next three years. Its aspirational target of $3.75 billion to $4 billion in organic revenues for FY18 is achievable," say Ambit analysts Aditya Khemka and Paresh Dave. And, Vinita is confident of achieving the target. ◆

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# THE CHANGE AGENT

The Capgemini India CEO is overseeing a big transformation at the company. By SARIKA MALHOTRA

**Aruna Jayanthi, 52**
Chief Executive Officer, Capgemini India

WHY SHE MATTERS: One of the most powerful leaders in the IT services industry. After the IGATE merger, she will be responsible for an 85,000-strong team.

WHAT MATTERS TO HER: Integrity. A team that walks the talk, follows high ethical standards of the organisation and meets expectations of customers. Hates shortcuts or compromises.

BUSINESS IDOL: Every person who has the grit and determination to overcome odds and fight for success. Every person fighting for a bigger cause than his or her own ecosystem.

Aruna Jayanthi, CEO, Capgemini India, has her hands full. Capgemini recently acquired IGATE, a US-listed technology and services company with revenues of €10.57 billion in 2014, which will make Capgemini's India arm one of the largest MNC IT employers in the country. "We have taken on 23,000 people, in addition to the 62,000 that we had. This has taken our combined strength to 85,000," she says.

"We just got all approvals and clearances," she says. "I am leading the integration work in India." She says she will have a clear vision of how the teams will integrate and what synergies will work best in the next two to three months. "By January, we will start operating as a single company," she says.

For Capgemini, Jayanthi is an ideal fit at this stage. Paul Spence, an ex-colleague who is currently Non-Executive Director, G4S, recalls that Jayanthi could rally her reports, her bosses, her clients and even her peers to find solutions. "It was the X-factor in her management style that made people want to get involved," he says. Spence says Jayanthi is not just a technologist but understands P&L accounts and balance sheets equally well.

Spence, who earlier worked as the CEO of Capgemini Outsourcing Services, has known Jayanthi for more than a decade. He has worked with her from the time she was among the handful of employees at Ernst & Young India to her eventual appointment as the CEO of Capgemini India. Jayanthi had joined Capgemini in early 2000 and was part of the core team

**Aruna Jayanthi:** Leading integration between Capgemini and IGATE in India

DANESH JASSAWALA

that set up Capgemini's offshore capabilities. She is a core member of the company's strategic decision-making, a member of the Group Executive Committee and was also a key member of the team that worked on the IGATE acquisition. "The global M&A team drove the deal. I was involved as it had a big impact on India," she says.

Jayanthi has grown into one of the most powerful leaders in the IT services industry today. She was approached by the Ministry of Human Resource Development for the role of Chairperson of the Board of Governors of National Institute of Technology, Calicut, and assumed charge in November 2014. It's a great opportunity, she says.

Jayanthi feels good that there are so many women leaders in the IT industry. But what makes the industry women-friendly? She says IT is a service industry and so it's easier in the sense you don't have to go through the difficulties of a shop floor. "Also, IT is intensely knowledge-driven. That is the only thing that matters. When growth is there, one needs good people. If opportunities are limited, one can think about whom to pick."

Jayanthi is also a member of the Executive Council of NASSCOM. N. Chandrasekaran, the CEO and Managing Director of Tata Consultancy Services, says Jayanthi is very people-oriented and collaborative. "I have had the pleasure of knowing her as a colleague from my early days at TCS and later through NASSCOM and other industry initiatives. Her insights are always relevant. She is a team player and a consensus builder and has an excellent relationship with all stakeholders."

Jayanthi says the IT industry is at the crossroads. "We can no longer look at IT as merely IT. In the end, it's not about software, hardware or technology. It's about the business value that you bring to a customer. It's about the simplicity of the solution."

On the personal front, too, her hands are full. "I have a young daughter. She has just become a teenager. I unwind automatically when I chat with her." Whenever she gets time, she reads and listens to music. Opera is her current favourite, though she enjoys rock music the most. ◆

@sarikamalhotra2

# IN QUEST FOR QUALITY

The TVS family scion is behind the company's stellar growth over the past decade.

By VENKATESHA BABU

Arathi Krishna, 47
Joint Managing Director, Sundram Fasteners

H.K. RAJSHEKAR

Arathi Krishna likes to dirty her hands on the shop floor by operating machines at least twice a week. The efforts of the 47-year-old Joint Managing Director of Sundram Fasteners are yielding results.

The revival of the domestic automotive market has meant that auto ancillary players such as Sundram Fasteners, Bosch, GKW and Lakshmi Precision Tools have benefitted. However, Sundram Fasteners, a part of the TVS Group, has done better than some of its peers.

In the last financial year, its income rose 16 per cent to ₹3,238 crore. However, rising input costs meant that net profit grew just 9 per cent to ₹131.94 crore. The performance has not gone unnoticed on the bourses. The company's stock has given a return of more than 18 per cent over the last 12 months, more than twice the rise in the Bombay Stock Exchange Sensex during the period.

Firstcall Research, in a recent report on the company, said that auto component is one of the country's rising industries with tremendous growth prospects. "From a low-key supplier providing components to the domestic market, the industry has emerged as one of the key auto component centres in Asia and is today seen as a significant player in the global automotive supply chain. India is now a supplier of a range of high-value and critical automobile components to global auto makers such as General Motors, Toyota, Ford and Volkswagen, among others. The industry currently accounts for almost seven per cent of India's gross domestic product and employs about 19 million people, both directly and indirectly," said the report.

It said Sundram Fasteners, the first Indian component manufacturing company to have won the prestigious TPM Excellence and Consistency Award from the Japan Institute of Plant Maintenance, was well-positioned to take advantage of this growth.

Sundram Fasteners makes high-tensile fasteners, engine components, pump fuel assembly, radiator caps, gear shifters, nozzle rings, hubs and tyre carriers. It earns a little over a third of its revenue from exports.

Sundram Fasteners has been one of the early entrants into the China market. With its premium positioning and emphasis on quality, it has tried to keep ahead of competition in the local market also. And Krishna, the fourth-generation family scion, is making sure it stays ahead. ◆

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# THE HOMEMAKER

Priya Nair seeks to make a positive difference to the society with HUL's home care brands.
By AJITA SHASHIDHAR

**Reaching out:** Priya Nair believes in educating consumers about her products

RACHIT GOSWAMI

It has been 20 years since Priya Nair joined the ranks of the ₹30,805-crore FMCG giant Hindustan Unilever (HUL). She cut her teeth in the organisation as a management trainee. The 43-year-old has been groomed by stalwarts like Nitin Paranjpe and Harish Manwani. Indeed, it is evident that Nair has been a great student and has learnt the importance of building a socially relevant business from her mentors.

## Priya Nair, 43

Executive Director, Home Care
Hindustan Unilever

WHY SHE MATTERS:
Heads the largest revenue earning division of FMCG giant HUL

WHAT MATTERS TO HER:
Creating a socially impactful business

BUSINESS IDOL: Has been inspired by many business heroes

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Nair, who made it to the management committee of the FMCG company just last year, says that the game changer for her has been the shift from an operational to a more strategic leadership role. "You are in an incredible position to make a difference within the organisation as well as business and community," she says. Nair is now heading the home care division of HUL, the largest revenue churning arm of the company.

So, how is Nair making a difference? While offering her consumers the best possible products is indeed top priority, what actually makes a difference, according to Nair, is that most of her brands create a positive impact on the society at large. "Those are the brands that consumers actually value," she says.

She cites the example of Rin Career Academy, an initiative the company has launched to promote Rin detergent. Here, the detergent brand has partnered with British Council to offer soft skill training programmes to its consumers. The academy aims to inspire, educate and equip youth with livelihood skills to pursue 21st century careers, boosting the brand visibility of Rin in the process. Kan Khajura Tesan, the mobile radio service through which HUL reaches out to its consumers in media-dark areas (beyond the reach of television), was also an initiative that Nair had spearheaded.

> "There is a definite science behind premiumisation while recruiting new consumers ... Priya has certainly got it right as a large category leader"
>
> Devendra Chawla, Group President (Food, FMCG & Brands), Future Group

## Rising Aspirations

A large part of HUL's revenue comes from the rural markets. With consumption dipping in these markets, Nair does admit that there has been some down-trading in terms of product usage. But at a time when affordability is an issue, she says the decision to select a brand is often made on the basis of the value it offers. "If you want deep loyalty and conviction from consumers, you need to have a brand that is relevant and matters to them. In such a case, she is also willing to pay a premium for it."

Nair is confident that even in a lacklustre market, a consumer's sense of value is not necessarily driven by price. It's more to do with the benefit that they are seeking at a certain price and it means that consumers are even open to upgrade. That's where her strategy of premiumisation gathers importance.

So, in the rain-starved Latur region of Maharashtra, the biggest challenge is clean drinking water. Will the average consumer be able to afford HUL's water purifier brand, Pureit, by paying upwards of ₹2,000? Unlikely. But Nair claims she is educating potential customers about the importance of pure drinking water and is offering them easy instalments to buy one by partnering with microfinance companies.

She is even in the process of developing and testing detergents that promise to reduce the usage of water. A specialised product such as this will surely come at a premium but Nair is confident that Indian consumers, when educated about it, will definitely spend on the product.

"There is a definite science behind premiumisation while recruiting new consumers in the category. Priya and her team have certainly got it right as a large category leader," says Devendra Chawla, Group President (Food, FMCG and Brands), Future Group.

So, where does Nair get most of her consumer insights from? The fact that the Indian consumers – especially women – are aspirational and want the best, comes out loud and clear in the endless hours of soap-opera content that the Indian broadcast industry churns out, she says. Indeed, Nair regularly watches television serials, which she says helps her to connect well with consumers. "There is a show called *Diya Aur Bati Hum* (on Star Plus) and you can't imagine how much women in interior villages talk about it. It's not a typical *Saas Bahu* saga and it sharply reflects how the role of a woman in a modern Indian family is changing. We are trying to bring those elements in our advertising too."

HUL's home care business contributes over 45 per cent of the company's revenue. So, what's next for Nair? She says there is lots to do. "I handle an incredible business which has parts that are quite matured, but it also has segments of the future like Pureit, which still has a lot of scope for penetration. In a country like ours there is always scope for growth." ◆

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Cooperation with Royal Roads University in Vancouver/Canada – Make the world your classroom! "Manage globally – learn differently" is the motto chosen by Management Center Innsbruck (MCI) in Austria for its English-language MBA in International Business, which starts in autumn 2015. This Executive Master serves the compatibility of job, family and study and is part of the consistent innovation, internationalization and online strategy pursued at the Entrepreneurial School®. The new online MBA is yet another addition to MCI's product portfolio and is based on MCI's extensive know-how in the design and implementation of modern blended-learning formats. **MCI Rector Andreas Altmann** summarizes the MCI's motivation to install the online program as follows:

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# LUGGAGE QUEEN

Radhika Piramal is working to double VIP's revenue in the next five years and make the company a youthful and aspirational brand. By AJITA SHASHIDHAR

Her role model in business is Warren Buffett, the US business magnate and mercurial investor. What she likes most about him is his ability to excel in whatever he does. When Radhika Piramal took over as Managing Director of her father Dilip Piramal's luggage company, VIP Industries, in 2009, her goal was to strengthen the company's leadership position. "What I brought to the table was clear brand segmentation and a distinct portfolio strategy that targeted specific consumers," she says.

Though VIP had an enviable market share of over 60 per cent and VIP was a household name, synonymous with luggage, a large chunk of consumers, especially the youth, didn't identify with it. In an era of backpacks and duffle bags, fewer and fewer people were going for the good old suitcase. In response, Radhika resurrected the country's first strolly brand, Skybag, that her father had launched in the eighties, and positioned it as a youth product. She also launched funky luggage, backpacks, gym bags and duffle bags.

"The VIP brand no doubt had a strong appeal but I said India is a young country and a lot of young people would want more choice than they have grown up with," she says. She also hired young talent, something that her father says has been her biggest contribution. "I really needed Radhika. All my good guys had left and it was becoming difficult to get somebody good," he had told *Business Today* in an earlier interview.

In 2012, VIP forayed into handbags for women under the brand name Caprese. Around this time, the average age of VIP employees was below 40 years, and so Piramal asked women colleagues to try out the brand. "Even now we get women employees to test new designs before rolling them out," says Piramal, who herself owns 10 Caprese bags, her favourite one being a classic black piece that she carries to work. "I also have a shocking pink Caprese which works well for parties."

Though Caprese is yet to gain popularity, Piramal hopes that it will be a ₹100-crore brand in the next five years. She is banking on Caprese to not only reach out to young women but also to ensure higher volume growth for VIP. This is because the luggage category is growing at just seven-eight per cent a year and it is crucial to explore adjacent categories. Moreover, apart from Samsonite, which was already giving VIP sleepless nights, there is also competition from global brands such as Delsey and Tumi.

**Radhika Piramal, 37**

Managing Director, VIP Industries

WHY SHE MATTERS: She is trying to make luggage fashionable and hip at a time when the category is growing slowly.

WHAT MATTERS TO HER: My father had the foresight to build VIP as the market leader way back in the 70s when there was less competition. My job is to maintain the leadership position. The way to do it is to have a good brand portfolio with customer segmentation, so that we can appeal to people with different tastes.

BUSINESS IDOL: Warren Buffett.

**Radhika Piramal:**
Maintaining pole position

RACHIT GOSWAMI

"Luggage is a not a large industry as the primary product is not bought frequently. You buy a luggage in two or three years or, maybe, five years, depending on how thrifty you are," says Piramal. However, women will not hesitate to buy three or four handbags every year. Also, apart from Hidesign, India doesn't have a brand of premium and mid-segment handbags. "At the low end, there are a lot of options in the ₹1,000-1,500 range, but they don't have the international style and fashion quotient. We thought there is a huge market in the mid-segment." Priced at ₹3,000-5,000, Caprese bags are cheaper than the Hidesign products.

One segment where VIP was routed by Samsonite was the ₹10,000 and above segment. To counter this, Piramal decided to launch Carlton, the British brand that VIP had acquired in 2004, in India.

Brand specialist Harish Bijoor, CEO, Harish Bijoor Consults, says VIP has done well under Piramal. "VIP has changed and the brand is certainly on the right track. It has been forced to change by competition," he says.

However, Piramal's biggest challenge, say industry experts, is retaining its market share in the luggage industry. Retail consultant Harminder Sahni, Managing Director, Wazir & Co, says with the market opening up to more international brands, Piramal has to play her cards more carefully than her competitors. "One has to look at the business critically every single day and see where it's growing and how it's growing," says Sahni.

Intense competition is a challenge, agrees Piramal, though she is proud that India is one of the few markets where the $2-billion Samsonite has not succeeded in getting to the No. 1 position. She is confident of doubling VIP's revenue to ₹2,000 crore in the next five years. ◆

*@AjitaShashidhar*

# GREEN CRUSADER

Meher Pudumjee - an ardent green activist - is driving Thermax to move into alternative energy solutions.
By ALOKESH BHATTACHARYYA

YUSUF KHAN

It was a small buy, but a critical one. On July 15, Pune-headquartered Thermax, a ₹4,845-crore company that provides products and solutions in heating, cooling, power, water and waste management to core industries like power, steel, and cement, and petrochemicals, informed the Bombay Stock Exchange that it had acquired 33 per cent stake in Pune-based First Energy, a ₹42-crore (2014 revenues) company. First Energy makes Oorja brand of biomass-based stove and pellet fuel for both home and commercial use.

The deal enhances Thermax's bid to gain strength in the alternative fuel market. "I'm very passionate about alternative energy," says Thermax Chairperson Meher

**Meher Pudumjee, 48**
Chairperson, Thermax

WHY SHE MATTERS:
Envisions strategy and good practices of one of India's biggest capital goods companies

WHAT MATTERS TO HER:
Integrity - if I have made some commitments, am I keeping to them? If I have set some standards of excellence, am I sticking to those standards?

BUSINESS IDOL: J.R.D. Tata, in terms of his ideals of doing the right things

Pudumjee, who professes concern about society and the environment with uncommon zeal. Even before First Energy, Pudumjee has been driving Thermax to move into alternative energy solutions.

It would be moot to note here that Pudumjee, part of the promoter family of Thermax, is non-executive chairperson of the company. However, promoter shareholding at 61.98 per cent certainly gives her more authority than a professional non-executive with no stake. And she exercises that authority with discretion. "She looks at future strategy – technology, people development," says M.S. Unnikrishnan, Managing Director & CEO of Thermax. "She doesn't get into customer management, but if a customer is facing an issue, she is in the loop."

Pudumjee believes in the ideals of J.R.D. Tata, that every stakeholder – customer, employee, supplier, even government – is important to a company. "It doesn't help your business if there is a lot of illiteracy and poverty around," she says. "Of course, today I would add, thinking about the environment as well (is equally important)."

Says Unnikrishnan, who has worked with her for 18 years: "Meher is an ardent green activist. She wants us to create technologies that will leave the world a better place. We could have grown faster if we had not gone the green way, but she had the guts and the gumption to stick to it."

The main thrust of Thermax's alternative energy business is biomass – that is, boilers and chillers, etc., that are powered by energy produced from biomass. Three years ago, Thermax had set up a wholly-owned subsidiary, Thermax Onsite Energy, which makes and runs utilities for companies on their sites. "When we started it, I decided that we would only make it a green company," says Pudumjee. Most of its products and solutions are based on biomass, though Pudumjee has reluctantly allowed a bit of gas-based products to also come in because the economics were not working out.

> "She doesn't jump into decisions. She takes extra time to study things in detail. In the time that I have known her, she has never made a mistake"
>
> M.S. Unnikrishnan, MD & CEO, Thermax

The biomass foray had begun even earlier, though, in Denmark, when Thermax acquired biomass-based boiler manufacturer Danstoker AS in November 2010 for €29.5 million. The recent acquisition of First Energy, therefore, is key for Thermax. "With First Energy, we are trying to see if we can do business in the B2B (commercial) segment," says Pudumjee. "That would mean looking at hospitals, hotels, etc."

In solar, Pudumjee doesn't want to get in a big way yet. "The largest project we've done is a 1MW project on the rooftop of a company in Chennai," says Pudumjee. Says Unnikrishnan: "She doesn't jump into decisions. She takes extra time to study things in detail. In the time that I have known her, she has never made a mistake."

However, with global crude prices at a low, there is not much incentive for industries to adopt alternative energy technologies. "Alternative technologies will have to be that much more efficient to give the right payback," says Pudumjee. Already, Danstoker is coping with a slowdown in Russia, its biggest market. The company is now looking at other markets in Europe to make up the deficit.

Pudumjee says the contribution of biomass and alternative energy to Thermax's revenues is around 30 per cent, but even otherwise, overall the company is battling extreme adverse conditions that the capital goods companies are facing. "Its results were good in Q1, but the order book is less than last year – ₹4,300 crore at Q1 FY '16 compared to ₹5,200 crore Q1 FY '15," says Shrenij Gujrathi, Senior Equity Research Analyst, Angel Broking. Gujrathi expects the company to rake in orders of ₹800-900 crore each quarter over the next two quarters, below its average of ₹1,000 crore. Things seem slightly brighter over a longer period. "Our two-three year view is that Thermax will benefit from the recovery in private sector capex," says Amit Mahavar, Senior Analyst (Industrials), Edelweiss Finance. "However, weak revenue growth visibility remains a near term challenge for the management."

Challenging times? Certainly. But you can expect Meher Pudumjee to dig in deep. ◆

@alokeshb

# TAKING STOCK OF THE MARKET

Chitra Ramkrishna has ensured that the NSE is on the cutting edge and its leadership stays intact.

By ALOKESH BHATTACHARYYA

**Chitra Ramkrishna, 52**

Managing Director & CEO, National Stock Exchange of India

WHY SHE MATTERS:
She heads India's biggest stock exchange.

WHAT MATTERS TO HER:
Ethics and transparency.

BUSINESS IDOL: All-time greats like Mahatma Gandhi, Nelson Mandela.

Chitra Ramkrishna says she was lucky to have good bosses, she was just there when the National Stock Exchange of India (NSE) was being formed and "volunteered" to join, she relies a lot on her second line (of management), her job is nowhere as complex as the RBI governor's, she's not a financial wizard...

But the fact that Ramkrishna, the daughter of a middle-class accountant, heads the NSE as its Managing Director and CEO, makes her one of the most powerful people in Indian business. Regardless of gender. According to the World Federation of Exchanges, the NSE is the world's 12th largest stock exchange with a market capitalisation of $1.59 trillion as of July 2015 (listed companies: 1,755), though arch rival Bombay Stock Exchange (BSE) is at No. 10 with a market cap of $1.63 trillion (listed companies: 5,725).

But then the NSE trumps the BSE on practically all other parameters. In the most important metric, the value of shares traded on the NSE in the seven months till July 2015 was $416.76 billion (a mind boggling ₹26 lakh crore, which translates to a daily average turnover of almost ₹18,000 crore) in electronic order book trades. Comparatively, the number for the BSE in the same period was $76.7 billion (₹4.8 lakh crore; daily average turnover ₹3,300 crore). More than 75 lakh trades on shares have happened every day on the NSE on average in 2015; the number for BSE is 15 lakh. In equity derivatives, too, the NSE dominates.

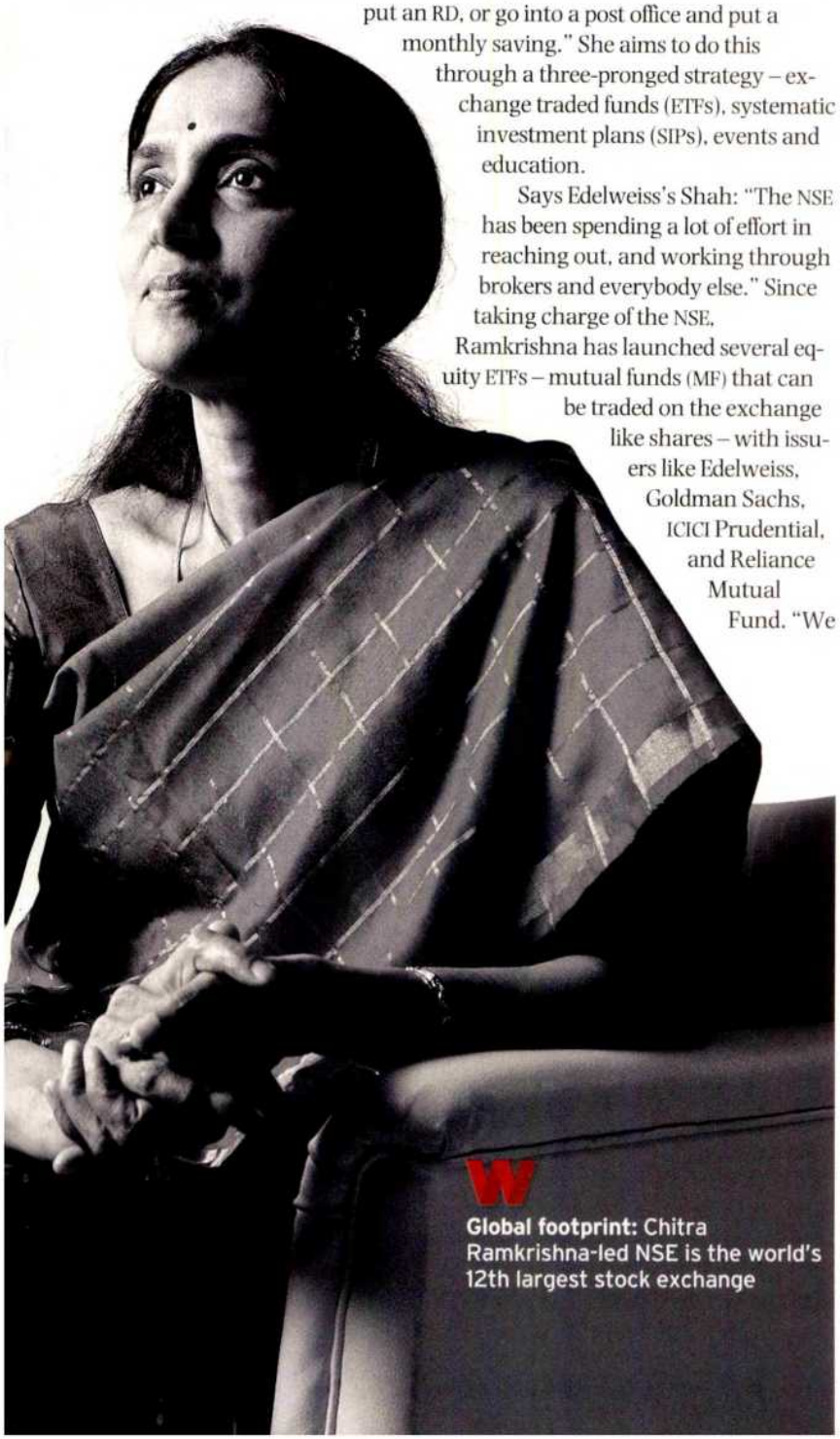
"For the last five to six years, in a very quiet, understated manner, Chitra has ensured the NSE is on

"We are working with a lot of large retail houses so that we are able to actually penetrate, make a saving habit out of putting money into ETFs"

the cutting edge and its leadership stays intact," says Rashesh Shah, Chairman and CEO of Edelweiss Group. "She is always asking what more can be done, where are the gaps in the market, how do we grow investor participation."

Ramkrishna is now looking to bring in more retail investors into the market. "It's the right time for us to think about lots of new products, new outreaches for retail. You have to make it as easy as it is to walk into a bank and put an RD, or go into a post office and put a monthly saving." She aims to do this through a three-pronged strategy – exchange traded funds (ETFs), systematic investment plans (SIPs), events and education.

Says Edelweiss's Shah: "The NSE has been spending a lot of effort in reaching out, and working through brokers and everybody else." Since taking charge of the NSE, Ramkrishna has launched several equity ETFs – mutual funds (MF) that can be traded on the exchange like shares – with issuers like Edelweiss, Goldman Sachs, ICICI Prudential, and Reliance Mutual Fund. "We are working with a lot of large retail houses so that we are able to actually penetrate, make a saving habit out of putting money into ETFs," says Ramkrishna. As of March 2015, overall ETF assets under management (AUM) rose 11.5 per cent over March 2014 to reach ₹14,715 crore, with equity ETFs comprising more than half that value.



**Global footprint:** Chitra Ramkrishna-led NSE is the world's 12th largest stock exchange

RACHIT GOSWAMI

The NSE worked with MF houses like UTI to launch SIPs, which are MF that are similar to bank recurring deposits. "In the last one year, we have been able to create more than one lakh SIP accounts," says Ramkrishna.

Then there are ground-level events the NSE organised for opening of demat and client accounts, KYC, etc., with the broker and the DP (depository participant) collaborating, so there is one point access for the retail investor. Finally, the NSE is also looking to educate people in a big way about financial markets. "Several universities have now come on board to make this part of their curriculum," says Ramkrishna. Seventeen universities such as Lovely Professional University, Sri Sri University, Punjabi University, etc., have tied up with the NSE for financial markets courses. "We are also working with some of the universities to look at being part of a graduate programme that specialises in financial markets," says Ramkrishna.

"Their approach is certainly working (to get retail investors in), but we are still in the first phase," says Edelweiss's Shah, adding that Ramkrishna's challenges, going ahead, would be developing a corporate bond market and increasing liquidity in the stock market. ◆

*@alokeshb*

# LIKES ALONE ARE NOT ENOUGH

Kirthiga Reddy is working towards making Facebook India a sustainable business proposition. By ALOKESH BHATTACHARYYA

**Kirthiga Reddy, 44**
Managing Director,
Facebook India

RACHIT GOSWAMI

**The face of Facebook:** Kirthiga Reddy is working with advertisers to boost revenue

The day Kirthiga Reddy spoke with this writer was a significant one for Facebook – a billion people accessed the social media site that day. By any measure, that is an incredible statistic. For the record, Facebook has 1.49 billion monthly active users worldwide as of June 2015.

India, with 132 million users, is close to 9 per cent of that. And Reddy, an engineer and Stanford MBA, is looking to leverage it by going beyond plain vanilla advertising. "Market share is won and lost at times of transition," she says, referring to the consumer shift of media consumption to digital and mobile. "And we are focused on working with advertisers and businesses, in helping them grow their business in this period of transition."

For example, Facebook and Nestle came together when Nestle saw a threat to its Everyday whitener from liquid milk and other low-cost whiteners in the Northeast due to low penetration of TV. Together, they decided to focus on the mobile, which had wide penetration, and created a set of images related to Everyday that would display one after another once users log in to Facebook. Nielsen data showed a 14-point rise in brand recall among consumers (women aged 21 and over) and a five-point increase in purchase intent.

Reddy says Facebook is working with a lot of advertisers on such initiatives. However, it is still the tip of the iceberg. "Advertising through social media is still in nascent stages in India," says Neil Shah, Research Director, Devices & Ecosystems, Counterpoint Research, adding that Facebook's user base is just 10 per cent of India's population. Adds Vishal Tripathi, Research Director at Gartner: "Facebook is a technical platform, and they still have to figure out how to make money out of it."

The numbers seem to reflect that. While the company does not disclose India revenues, data from the Registrar of Companies show Facebook Online Services India Pvt Ltd had revenues of ₹97.6 crore in March 2014 (later data is not available). That is much ahead of rival Twitter (revenues ₹4.2 crore), but hardly any consolation. Reddy's journey towards making Facebook India a sustainable business proposition has only begun. ◆

*@alokeshb*

# GALGOTIAS UNIVERSITY: TOP-RANKED CENTRE OF RESEARCH-BASED EDUCATION EXCELLENCE IN THE NCR

Galgotias University has been envisioned as an institution of teaching and learning excellence and is modeled after the education systems and processes at the world's finest universities, we set out to build an education institution of stature. Today the Galgotias University has over 10,000 students in its various graduate, post graduate programs and research programs in the field of Engineering & Technology, Business Administration, Media & Communication Studies, Humanities & Social Sciences, Architecture, Nursing, Pharmacy & Applied Sciences.

The key difference at Galgotias University is industry-integration and guidance. Industry integration is hugely built into the syllabus, pedagogies, faculty orientation and education processes across the entire education span. Galgotias University uses the industry-guidance mantra intensively through various models of university-industry partnership ranging across accreditations, MoU arrangements and academic alliances. These integration initiatives help architect the education experience and deepen and enrich it. Students are put through rigourous industry-connected programs across the entire education span, including English proficiency and business communication - which is why Galgotias university students are highly sought after by blue-chip corporates and institutions.

Galgotias University works to create best-in-class global-level education infrastructure in conjunction with industry partners. Galgotias University has entered into strategic alliances with an array of blue-chip industry partners : IBM for the MBA in Business Analytics program and the four new market-oriented B.Tech Computer Science programs such as Cloud Computing & Virtualisation, Open Source Software & Open Standards, Business Analytics, Telecom Informatics and Mainframe Technology along with all the connected infrastructure; KPMG for different programs in the School of Business and the School of finance &

Commerce; and Max Institute of Healthcare, Education and Research for the School of Nursing. Galgotias University has developed a system which combines the full academic power of outcomes-based education and deep respect for rock-solid knowledge.

Galgotias University picks world-class faculty from the finest academic and research institutions across the world and India. This excellent faculty nurtures excellent academic standards and processes and ensures a research-based approach to experiential learning.

Academic rigour and processes at Galgotias University is enhanced through collaboration and interaction with top-drawer foreign universities. The university drives its joint research programs, development of cutting-edge syllabi, faculty and student exchange and access to advanced international pedagogies through collaborations with Purdue University, Northern Illinois University, Smith Business School at the University of Maryland and University of Arkansas in the USA; and tie-ups with Goethe University, Germany and Anglia Ruskin University, UK in Europe.

Galgotias University has been ranked No.5 in the newly released Times Engineering survey 2015, among India's Top Emerging Engineering Institutions. The prestigious survey lauded Galgotias University for its deep industry-university partnerships, excellent placements and highly awarded education processes and research orientation.

Galgotias University has also been topranked among the Top 10 in the all India T-school rankings by the prestigious Dataquest-CMR Survey 2015. Galgotias has been top-ranked among the country's topmost T-schools by the annual Dataquest surveys year after year. The high standards of education are also recognized consistently by top corporates who recruit heavily at Galgotias every year. This year Galgotias University students enjoyed record breaking 85*% round 1 placement (batch 2015) with Cognizant, Infosys Wipro and Tech Mahindra. The students of the CS-IBM programs had 98% recruitment – a tribute to the 100% excellence and job-readiness of the programs' passouts. Galgotias University also recently received the DQ-ICT Award for excellence in academics & placement from Shri NR Narayana Murthy, ex-Chairman, Infosys – in recognition of its world-class education that enabled record placements every year. The intrinsic excellence of the intellectual capital generation systems at Galgotias University have also been lauded by the President's Office which recently sent a team of scholars drawn from NITs across the country to the university to observe innovation at work. The Vice Chancellor, UPTU also paid tribute to the teaching-learning systems at Galgotias and the high standards of academic excellence.

The highly awarded education processes at Galgotias University are hotly sought after by the cream of students aspiring to superior private sector education. Galgotias University's all-India GEEE 2015 engineering entrance exam is facing an overwhelming rush of applicants – several times over the number that applied the previous year.

Galgotias University works as an intellectual capital generator and students emerge well-equipped to take on the thought-leadership roles of tomorrow.

# PATIENTS, BEDS & MARGINS

Suneeta Reddy's sharp focus on financial metrics ensures Apollo Hospitals stays ahead of competition.

By VENKATESHA BABU

**Suneeta Reddy, 56**
Managing Director, Apollo Hospitals Enterprise Ltd

WHY SHE MATTERS:
Leads India's biggest healthcare service provider. Has aggressive expansion plans over the next couple of years.

WHAT MATTERS TO HER:
Sweating existing assets even more. Continue to enhance the leadership position of Apollo in the healthcare sector.

BUSINESS IDOL:
Her father Prathap C. Reddy, who started the hospital chain. She also admires N. Vaghul, who is on the board, for "his clear and insightful thinking" as well as Sadhguru Jaggi Vasudev for his spiritual guidance.

Suneeta Reddy has always been the bean counter in the family that runs India's biggest health-care service provider. The Managing Director of Apollo Hospitals Enterprise Ltd (AHEL) has solid numbers to back her credentials. In the little over a year under her leadership, AHEL's shares have surged 47 per cent. The broader BSE Sensex rose 9 per cent during the period. The reason for the outperformance is simple. Not only has Apollo grown organically, but under Suneeta's leadership it has also made three significant acquisitions.

Immediately after Suneeta took over in June 2014 from her elder sister Preetha Reddy, Apollo acquired a majority stake in Rajashree Hospitals of Indore, for a deal estimated at ₹57-70 crore. This was seen as a move to strengthen its presence in central India. In January 2015, it bought Bangalore-based Nova Specialities Hospitals for ₹145 crore. In June, it purchased a majority stake in Guwahati-based Assam Hospitals Ltd for ₹57.25 crore. In 2014/15, its revenues grew 18 per cent over the previous year to ₹5,178 crore. The company has 64 hospitals with around 8,950 beds.

ICICI Direct, in a recent report on the company, says rapid expansion and maturity of older hospitals have kept growth above 15 per cent a year. "The next phase of expansion includes addition of 1,350 beds to the existing network of 40 hospitals and 7,123 beds (own hospitals) by FY19 with an additional capex of ₹1,477 crore. This is likely to put some pressure on EBITDA margins in the short to medium term. However, in the past, the company has demonstrated its ability to balance between expansion and margins."

Apollo's growth is due largely to its visionary founder and Chairman,

**Figure this:** Apollo has made three acquisitions since Suneeta Reddy took over

NILOTPAL BARUAH

Prathap C. Reddy. Suneeta and her three sisters – Preetha, Shobhana and Sangita – have carved out complementary roles in the group. "All decisions are taken by the family collectively. I have been involved in the business even before Apollo was formally established. We had no designations or salary. While I worked on numbers, Shobhana built on the vision, while Sangita staffed it," says Suneeta.

That family support has been key to her success is evident. Her father helped in grooming her by entrusting responsibilities. "The family had a large stake in Sindhoori hotels, I helped my father run it. From there I moved to Indian Hospital Corporation, which was privately held and which ran Apollo. There were subsequently PE investors in IHC, with whom I worked. It was a huge learning for me and that is where I got my fascination for numbers and strategy as I led the negotiations on behalf of the family."

While Suneeta admits that being the founder's daughter did help, she says it was not a cakewalk. Respect and trust had to be earned. "I remember when I first took an agreement to my father, he threw it back at my face as he doesn't like to be bound and wants freedom to execute his vision. I managed to convince him that some of the onerous clauses in the contract would never come to pass."

Being the numbers person in the family also means Suneeta sometimes had to make tough choices, though she is quick to add "in consultation with the family". For instance, when Apollo was looking to enter Pune, she pulled back as she felt the competition was too intense and the return on investment might not justify entry into that market.

A fitness enthusiast, Suneeta says her greatest relaxation comes from playing with her grandchild. She rarely misses her evening ritual - a visit to the Krishna temple located adjacent to their flagship hospital in Chennai - to pray "not for individual well-being but for the welfare of everybody".

Prathap Reddy, who at 81 still puts in a full day at the office, says: "I am particularly proud of what Suneeta has achieved." He points out that two-thirds of Apollo's 40,000 employees are women and that the group provides them ample growth opportunities. "You might say I have a vested interest. After all, my girls are in Apollo," he smiles. ◆

*@venkateshababu*

# THE ART OF THE DEAL

Aisha de Sequeira bagged big deals for Morgan Stanley India last year in spite of the slowdown.

By SARIKA MALHOTRA

I spend a lot of time outside India, making investors understand the opportunities available here. I address the questions that investors have about India in the short term," says Aisha de Sequeira, Co-Country Head and Head of Investment Banking, Morgan Stanley India. It is ambassadors like her that India needs desperately at this stage as economic growth slows and the country again faces a crisis of confidence.

Sequeira, who took over as co-country head in 2013, says that prior to the 2014 Lok Sabha elections, investors were clearly negative on India. The view was that India had not fulfilled the promise it had shown. "But in the second half of the year, the momentum picked up, and continued well into 2015," she says.

In spite of the low investor confidence, Sequeira's team managed to bag several billion-dollar deals last year. One of the biggest was the $1.1-billion sale of Senvion by Suzlon to Centerbridge Capital Partners. Her team also managed the $1.6-billion American Depository Receipt and Qualified Institutional Placement (QIP) issues of HDFC Bank and the $1.5-billion Tata Steel bond issue. It also helped Reliance Industries raise $1 billion through bonds. The other big deals of the year included the $510-million Idea Cellular QIP and the $500-million JLR bond issue. In 2014/15, Morgan Stanley India Primary Dealer Private Ltd earned a revenue of ₹277.22 crore.

What made the team click during this difficult phase? The leadership team at Morgan Stanley India, says Sequeira, has been there for a very long time. "We have the right teams across businesses. We play to our strengths," she says. Morgan Stanley's global network also works to its advantage. "We are able to connect companies in India with opportunities available globally and vice versa," she says. The other thing that works in their favour is deep understanding of India's economy. "Our research team is the best in the country," she says.

Sequeira says India is critical for Morgan Stanley's future. "We have a large knowledge centre here that also caters to our global offices. We have more employees in client-facing services in India than in any other part of Asia. The talent pool is incredible. We don't look at India just for the opportunities with corporates but also as a pool of talent that we can tap."

Morgan Stanley is bullish about India. It is projecting gross domestic product growth of more than seven per cent this year. "I am optimistic about a pick-up in deal activity over the course of next year. There is a significant interest in sectors that touch Indian consumers. E-commerce is one of the most attractive opportunities for the long term." About the high valuations in e-commerce, she says: "There will be winners in every sector. The question is, who

## Aisha de Sequeira, 45

Co-Country Head & Head of Investment Banking, Morgan Stanley India

**WHY SHE MATTERS:** The bank has been bagging one billion-dollar deal after another in spite of the slowdown.

**WHAT MATTERS TO HER:** The older I get, the more I want to do things that have an impact both within the community as well as the organisation I work for. Giving back is critical. I have always been very troubled by the issue of accident of birth that can so dramatically change your life. At this stage of my life, I want to help, be it through education or mentoring.

**BUSINESS IDOL:** Steve Jobs. I have always felt fortunate to have lived when he was around, to have seen innovation and excellence come together. The most inspiring part of his life is that he suffered a major failure but came back with a bang.

RACHIT GOSWAMI

will these winners be, as they will be very valuable."

Sequeira says India's demographic story is among the strongest in the world. "Investors look at India as one of the most attractive places for the long run. It's an incredible demographic story. We just have to couple that with better short-term policy delivery." India, she says, is very much an execution story, given that it is sound structurally. Morgan Stanley's focus, she says, is on cross-border mergers and acquisitions. The investment bank is also working with companies looking to tap into overseas debt markets.

A few weeks ago, Sequeira completed 20 years at Morgan Stanley, where she had started as an associate after passing out of Yale School of Management. So, how does it feel to have grown with the organisation? "I feel connected to people in all parts of the world. If I have a question about something, I know who to call. I always felt that I really connected with the culture and people at the organisation. I went through a sharp learning curve, having not done investment banking before. I was only able to do well because of help from peers."

Sequeira loves contemporary art and music, though she has put both on the back-burner for now. She says her day is all about work and her three little sons. "They are six, four and four. So, frankly, at this stage of my life, all my personal time is spent with them, and that is something I just love." ◆

*@sarikamalhotra2*

# THE LITIGATOR

Pallavi Shroff has emerged as the go-to person for companies reeling under the weight of legal disputes.

By SARIKA MALHOTRA

**Pallavi Shroff, 59**
Managing Partner, Shardul Amarchand Mangaldas & Co

WHY SHE MATTERS: Rated in Band I by Chambers & Partners, the most respected evaluator of legal services across the world. SAM & Co is the only firm ranked in Band I in the Competition/ Anti-Trust Practice Area in India, a practice headed by Shroff.

WHAT MATTERS TO HER: The firm and family. "Luckily, they are intertwined. It's a blessing."

BUSINESS IDOL: Father-in-law Suresh S. Shroff. "He taught me to strategise. I would tell him every day: 'Papa, I did this in court,' and he would say, 'But have you thought of these five things?' That is how I started thinking laterally, learning to strategise."

When Nestle India wanted to challenge the notices on Maggi noodles sent to it earlier this year by the Food Safety and Standards Authority in India, it was Pallavi Shroff the company turned to. Maggi noodles had been banned in several Indian states after government laboratories found samples containing more than the permissible quantity of lead, as well as traces of monosodium glutamate, even though the packaging claimed it did not.

Given the ubiquity of Maggi noodles in India, the case in the Bombay High Court drew enormous interest. "When we went into the case, we realised the testing had been done in laboratories that were not qualified to test for lead," says Shroff. "They were not even accredited with the National Accreditation Board for Testing and Calibrating Laboratories. We were surprised. What kind of testing had been done?" Shroff's arguments won the day with the court in August ruling against the ban, while ordering fresh tests on Maggi samples.

Yet another crucial case this year was the Indian component of the global merger of cement giants Holcim and Lafarge, which the Competition Commission of India (CCI) questioned. But it allowed the merger after Shroff and her team quelled the doubts raised and both companies agreed to divest some of their assets in eastern India. "The case entailed competition law analysis of the transaction, filing detailed submissions and subsequent discussions with the CCI," says Shroff. "Walking through the entire process and structuring remedies was very interesting."

Shroff has been at the top of her profession for many years, but 2015 will remain special for her. Apart from the Maggi and LafargeHolcim successes, it also saw – a few months earlier, in May – her elevation to Managing Partner at her family legal firm, Shardul Amarchand Mangaldas & Co (SAM & Co). SAM & Co was formed following a split at Amarchand Mangaldas & Suresh A. Shroff and Co (AMSS), the country's largest corporate law firm, after Shroff's husband Shardul Shroff, and his brother Cyril Shroff – who used to run it together with Shardul based in Delhi and Cyril in Mumbai – parted ways. "It is a new beginning for us, a fresh canvas," she says. "The challenge of actually

**Dazzling career:** Pallavi Shroff has been at the top of her profession for many years

SHEKHAR GHOSH

managing the firm is very exciting for me."

Curiously, law was not Shroff's first choice of profession. The daughter of former Chief Justice of India P.N. Bhagwati, she feared she would forever remain in his shadow if she took it up. "I was apprehensive of what people would say if I failed to show much aptitude for law: such a great judge and look at this daughter!" she says. She left Delhi for Mumbai to study for an MBA. But fate brought Shardul Shroff into her life. "Even before I started law college, my husband said there was a case coming up and suggested I read up on it," she says. He encouraged her to spend time in court. "The dynamics of the court, how an argument is built, how bookish knowledge is translated into real arguments, truly excited me," she adds.

Both her peers and her clients vouch for her brilliance. Former finance minister P. Chidambaram, a legal luminary as well, is rhapsodic. "I have seen few women in law who are so painstaking, persuasive and tenacious," he says. "She just won't give up! Her arguments are always well supported by legal texts and case law. She travels extensively, holds several conferences a day, settles pleadings and documents, attends court hearings and yet has the energy to meet her social obligations as managing partner." Equally effusive is Ankhi Das, Public Policy Director, India, South and Central Asia, Facebook. "We've worked together in the areas of free expression and human rights as they impact the Internet," she says. "I've found her sharp analysis in matters relating to Internet freedom and intermediary liability very useful." ◆

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# THE GLOBETROTTER

Sangita Singh's dogged determination has helped expand Wipro's healthcare and life sciences technology vertical in a tough business environment. By VENKATESHA BABU

How many top executives come to mind when one thinks of those who doubled revenues of the divisions they headed, especially at a time when their company overall grew at less than half that pace? Sangita Singh, CEO, Healthcare and Life Sciences, Wipro, ticks the box.

The diminutive but hard-charging executive literally lives out of a suitcase, shuttling between her office in New York and her family home in Bangalore. And she makes it count. Singh and her team brought in more than $810 million in revenues in 2014/15, up from $429 million in 2010/11. The division contributed about 11.5 per cent to the software major's top line. For two years in succession, the division has won an internal award for being the fastest growing vertical, significantly above the company's overall growth rate. The achievement is all the more commendable as healthcare and life sciences (HLS) technology business is globally dominated not by Wipro's Indian peers such as Tata Consultancy Services, Infosys or Cognizant but by its multinational competitors such as IBM, Accenture and Perot Systems (now part of Dell).

Stories abound about how Singh impressed her superiors. Says Rama Kumar, CEO of electronic payments solution provider Tarang Software Technologies and one of her early bosses at Wipro, "What struck me about Sangita when she reported to me was her ambition to grow, her aggressive go-getting nature and her huge capacity for hard work. During the performance appraisal discussion her goal was clear, she wanted the highest rating. She was prepared to achieve what was needed to get it with her boss setting targets and informing her upfront."

The HLS business of Wipro has had a difficult history. Set up as a separate business vertical in 2002, under the veteran D.A. Prasanna, it struggled to gain traction for several years. That was until Singh took charge of the division in 2011. Wipro HLS now works with eight of the top 10 pharmaceutical companies in the world and a similar number of medical devices companies apart from leading biotech players. While the company is loath to name its major customers citing non-disclosure agreements, some of the publicly named ones include Takeda Pharmaceutical Company and AstraZeneca Plc.

The US remains the biggest market for HLS service providers. There are huge shifts happening in this industry driven by patient empowerment under what is popularly called Obamacare, a pay-for-performance revolution and digital adoption in the industry. In life sciences, pharma companies are looking at new sources of value to drive R&D productivity and innovative models to ensure compliance as well as security. Says an analyst with a market research company who did not want his firm or himself to be identified as he is not authorised to comment on specific service providers: "There is huge churn happening in the life sciences and pharma space driven by Obamacare initiatives in the crucial American market. There has been pressure to cut costs, digitise health records and pharma

**The go-getter:** Sangita Singh has nearly doubled her division's revenue in four years

## Sangita Singh, 46

CEO - Healthcare and Life Sciences division, Wipro

WHY SHE MATTERS: Her division has been growing 40 per cent faster than the average company growth rate. Also, with life-sciences providers under cost pressure to deliver more with less and big pharma struggling to keep their R&D pipeline going, it is a good opportunity for players like Wipro.

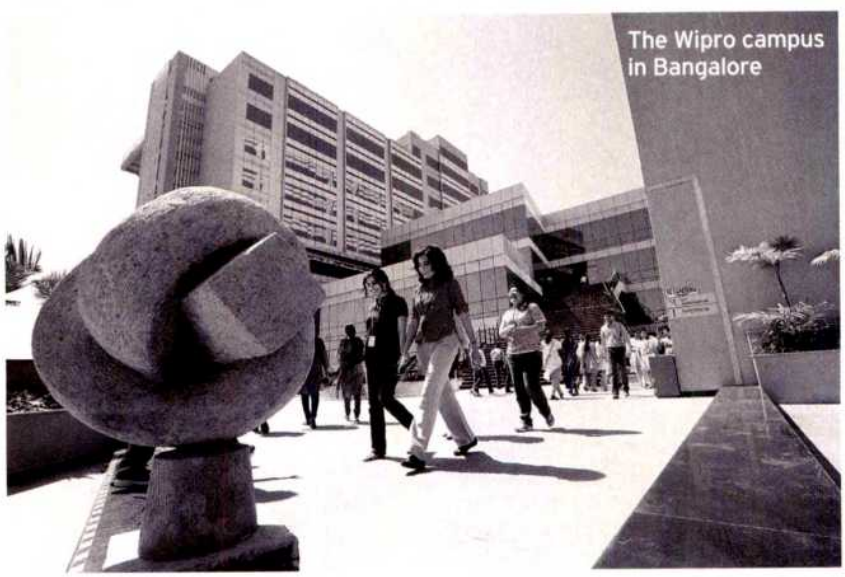
WHAT MATTERS TO HER: Delivering value to customers. Taking HLS division to $1 billion in size through organic and inorganic growth over the next one year.

BUSINESS IDOL: Azim Premji, Chairman of Wipro, for building a 'fair, ethical and growth-driven organisation.'

NILOTPAL BARUAH

companies looking to generate blockbuster drugs on limited budgets. This means that conventional service providers like Perot and IBM are being challenged by Indian service providers like Wipro and Cognizant. It is to Wipro's credit that they have ridden this wave of changes smartly."

Seizing those opportunities has not been easy for Singh and Wipro. It has meant personal sacrifices on her part and Wipro having to adapt to changes in the marketplace. For instance, Singh did not hesitate to relocate to the US in January 2014 when there was leadership transition in the American team, just when newer


The Wipro campus in Bangalore

opportunities were coming up in that market. "Yes, it wasn't easy but the team and business required that," avers Singh, who is likely to relocate back to Bangalore by the end of October. She credits her family and especially her husband, Shantanu Jha, co-founder at chip design and multimedia solutions company Ittiam Systems, for being supportive during this period. "I used to come here [Bangalore] once in 45 days. Now that I have achieved what I set out to achieve in New York, I will be moving back."

Krishna Kumar Natarajan, CEO of Mindtree, a mid-sized IT firm that was started by ex-Wipro employees, remembers Singh's ability to venture into 'zones of discomfort.' Natarajan was another boss of Singh's at Wipro. "She was an entry-level marketing person when marketing in IT services was evolving in the late 1990s. When a divisional marketing head came up in my division, she forcefully put herself up for the role fully realising that it was a much larger job. I have heard she did the same when the role of head of enterprise applications came up and she pitched for it when she had very little knowledge of ERP. Similar is the case when she took up the HLS role. In roles where she had no prior deep experience, through sheer determination and hard work she has managed to make Wipro a leader in area whose responsibility she was given," he recalls.

This is an often repeated theme in Singh's career. How she does not hesitate to pitch to a senior person to get what she wants. Natarajan says it is not just a question of reaching out to a senior person. "A quality which sets her apart is the high standards she sets for herself as a professional. She is always raising the bar for herself and never satisfied with what she has achieved. Continuous self-improvement and learning from a diverse set of people make her improve constantly."

Singh dismisses such accolades saying that the only thing she herself can claim to is persistence. "Everybody just remembers (stories) of me reaching out to superiors to get what I wanted. But I have always had a plan to show them how I will execute and I work hard on it."

In 2014, Singh declared that HLS would become a $1-billion division in a couple of years. She asserts she is on track to achieve that goal. "It will be a mix of organic and inorganic growth to reach those numbers by 2016. We are focussed on offering differentiated domain solutions, patient centricity compliance, product innovation to further enhance our growth." Apart from work, Singh plans to write a book on everyday women heroes – such as women vegetable vendors or maids – and tell their stories of courage and resilience.

In spite of a demanding work and travel schedule, Singh says she tries to achieve the work-life balance. Natarajan says this ability to balance her professional success with commitments to her family is commendable given the demands of a global job like hers. "While many capable women professionals drop out of a career to prioritize home, she has balanced both in an admirable manner," he adds. ◆

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सेल SAIL

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# EYES ON THE DESTINATION

For Jyotsna Suri, looking at the big picture is important. By CHITRA NARAYANAN

**Jyotsna Suri, 63**
Chairperson, Lalit Suri Hospitality

WHY SHE MATTERS:
She leads one of India's largest privately owned hotel chains and also heads industry group FICCI.

WHAT MATTERS TO HER:
My life's mantra is to never give up. No matter what life throws at me, I take it as a challenge and overcome it. As a professional, what matters to me the most is integrity, honesty, respect for individuals, devotion to duty and minimum wastage.

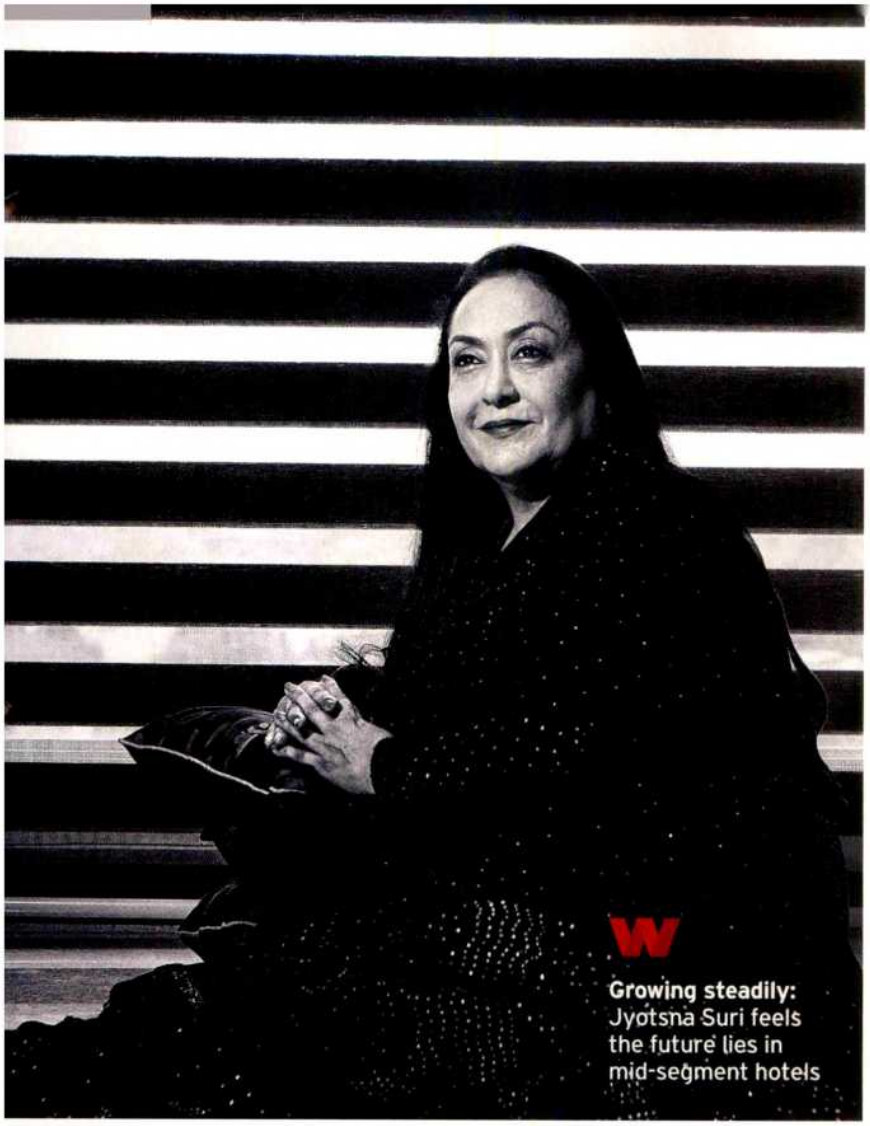
BUSINESS IDOL:
My husband. His vision, foresight, generosity, and time management skills were truly admirable, as was his utmost faith in me

Most people would find holding down one full-time job hard enough. But Jyotsna Suri, Chairperson and Managing Director of Bharat Hotels, which runs The Lalit Suri Hospitality group, is straddling two challenging assignments, as she shuttles between industry group FICCI, where she took over as president in December 2014, and her 34-year-old hotel chain, which is in the midst of expansion overseas. Luckily, the headquarters of both are located close by.

It's an especially tough balancing act as the hospitality industry is just emerging from a cyclical downturn and most established players are facing disruption from tech players like Airbnb. Meanwhile, FICCI is in the thick of debate and action over the land bill and taxation reforms that could have huge repercussions for businesses.

It's a good thing that this accidental business leader – she had to take over the reins of the company when her husband, the flamboyant hotelier Lalit Suri died suddenly during a business trip – lists her hobby as work, and has been conditioned to plan ahead for the day. "The habit of waking up early helps me maximize productive hours to get the most out of each day," she says. Highly disciplined, Suri also sometimes takes calculated risks – not a surprising trait really as she comes of entrepreneurial stock. Her dad moved from Rawalpindi to Delhi during Partition and built a profitable Mercedes Benz truck business in far flung Kutch, and was nonconformist enough to send Suri to a co-ed boarding school (Lawrence School, Sanawar).

At a time when global hospitality majors are mounting a full throttled invasion, the Lalit group has under Suri's leadership carved a distinct brand



**Growing steadily:** Jyotsna Suri feels the future lies in mid-segment hotels

VIVAN MEHRA

identity of its own and has emerged as one of India's largest privately owned hotel chains with 11 operational 5-star luxury hotels, two mid-segment hotels and six more under development in India and overseas.

Among the jewels in the group's chest include the recently opened Great Eastern in Kolkata – a hotel of immense heritage given that it's Asia's first luxury property. Next up is another heritage development in London, where Suri is turning a former grammar school St Olave's acquired at a cost of £15 million into a 75-room boutique hotel.

"Being an investor with very little leverage she has been able to withstand the downturn quite well and the family is now focusing on international developments," says Manav Thadani, Chairman, HVS, a hospitality consultancy firm. Despite the downturn, the hotel group clocked gross sales of ₹427 crore in 2013/14, up from ₹374 crore in 2012/13. From a loss in 2012/13, it managed to clock a small profit of ₹4.24 crore in 2013/14.

Thadani, who is also the World Travel and Tourism Council Chairman, calls Suri one of the "leading lady lights" of the hotel industry in India. "She took over the Lalit business under very difficult circumstances and today has continued with the vision of her late husband and, in many ways, has improved upon them. She is ever ready to provide help when it comes to industry matters and is a strong voice for all of us," he says.

Suri believes the mid segment is where the future lies and, keeping pace with the way industry is moving, has been quick to launch the Lalit Traveller brand – a mid-market offering. But she is playing it carefully, minimising risks. In Ahmedabad, for instance, Lalit will have both its upscale and midscale brands in one building. She rules out an IPO at the moment, and says in a sluggish market, the group is going for consolidation more than anything else.

She listens to the GenNext ideas of her children, who are part of the management, and son Keshav Suri's idea of a Food Truck serving Mexican delights has already captured the imagination of foodies in the National Capital Region.

At FICCI, Suri – who is the first president to be chosen from the hospitality and tourism industry – has been carrying the weight of the sector on her shoulders.

Suri says she always looks at the big picture. Rather than just focusing on building hotels, she says her strategy is to try and develop destinations bringing to light uncharted terrains like Bekal in Kerala, or Chitrakoot near Khajuraho. "As we continued to develop hotels, I felt a responsibility to the people in the immediate vicinity of our properties and realised that what mattered was not just building hotels but also the destinations," she says.

It's her macro perspective that comes in handy in her role as President of FICCI too, where she has been advocating the patient approach in dealing with the new government. "Whenever you have to climb a mountain, you move slowly compared to the drop down. You should be steady but ultimately be able to win the race," she says. ◆

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# SETTING A HIGH STANDARD

One of the few women to head an oil company globally, Nishi Vasudeva has taken HPCL to record profitability.

By ALOKESH BHATTACHARYYA

Many, many years ago, a young woman working in Hindustan Petroleum Corporation Limited (HPCL) learned that a senior official of the company had predicted she would never go beyond middle management. But she went further, much further.

Today, Nishi Vasudeva, an IIM Calcutta graduate and daughter of a railway employee who migrated to India during Partition, has been the Chairman and Managing Director of HPCL for a year-and-a-half; she was also its first female chief. She smiles as she recalls that at the campus recruitment in IIM Calcutta, she had rejected a job offer from HPCL – where she had done her internship earlier – because she wasn't getting the role she wanted. She joined Engineers India Ltd instead. But fate willed her to return to HPCL about a year later. And there she has been the past 37 years.

Significantly, barring Nishi, none of the honchos or functional directors of the top three oil PSUs in India – Indian Oil Corporation Ltd (IOCL), Bharat Petroleum Corporation Ltd (BPCL), and HPCL – is female. Even globally, there are few instances of women heading oil companies. One notable exception is Maria das Gracas Silva of the $144-billion Brazilian oil exploration major Petrobras. Closer home, Yasmine Hilton heads Shell's operations in India, but it is very small.

Importantly, the company Nishi runs is the fourth-largest in India by revenues – ₹2.06 lakh crore in 2014/15 – making her unquestionably one of India's most powerful business people. Of course, the three companies ahead of HPCL are also oil companies – IOCL (revenues: ₹4.37 lakh crore), Reliance Industries (₹3.29 lakh crore) and BPCL (₹2.38 lakh crore).

HPCL runs three oil refineries (including one joint venture), 127 depots and terminals, 45 LPG bottling plants, and 13,200-plus fuel retail outlets. Although revenues shrank 7.5 per cent in FY15, profits soared 58 per cent to an all-time high of ₹2,733.26 crore. At the same time, the company's capacity utilisation of its refineries came to 109 per cent in 2014/15. "HPCL and BPCL are doing very well," says Sudhir Vasudeva (not related to Nishi),

**Nishi Vasudeva, 60**
CMD, Hindustan Petroleum Corporation Ltd

WHY SHE MATTERS:
She heads India's fourth largest company by revenues, a company she has taken to record profitability.

WHAT MATTERS TO HER:
Collaboration between different functions and different levels of employees.

BUSINESS IDOL:
R. Ramanathan, manager of an LPG project when she joined the company, who taught her the nuances of the business; and S.N. Mathur, her first boss, who taught her to look beyond her own function.

**Gender bender:** Barring Nishi Vasudeva, none of the heads of the top three oil PSUs is female

MANDAR DEODHAR

former CMD of oil exploration company Oil and Natural Gas Corporation Ltd (ONGC). "Within PSUs they are considered to be something like private companies."

Low crude prices certainly helped. In 2014/15, crude prices crashed from more than $100 per barrel to less than $40. On August 29, 2015, crude prices were at $45 per barrel. According to Sudhir Vasudeva, the oil economy has been shaken by the huge production of shale oil in the US, and continuing high production of crude in the Middle East countries. "The equilibrium of oil imports and exports has changed," he says.

Adds Dilip Khanna, Partner, Oil & Gas, Ernst & Young: "Further, production from other major crude oil supply countries like Canada, Iraq and Russia continued to grow. On the demand side, the slowdown in the Chinese economy and other emerging markets has dented the demand growth outlook." Not surprisingly, HPCL's expenses fell 7.8 per cent to ₹2.01 lakh crore in FY15 compared to FY14.

Of course, low crude prices do not automatically mean good news for oil marketing companies. Between the time crude is purchased and its refined versions shipped to retail outlets, crude prices could fall further, reducing retail prices as well. "Initially, downstream companies bought crude at high prices and when the prices fell they suffered huge inventory losses," says Sudhir Vasudeva.

Learning from this experience, HPCL negotiated short-term contracts that allowed it to buy crude at estimated lower future prices. Nishi also focused on getting employees to improve efficiencies in a

big way. For example, HPCL's LPG (liquid petroleum gas) bottling plant employees – officers as well as workers – suggested ideas that saw the company producing on average 1,554 LPG cylinders per hour in June 2015, compared to 1,140 in June 2009, reducing operating cost from ₹573 to ₹520 per metric tonne.

New recruits were also asked for ideas. One such idea was to replace dealer-specific lock and key for a web-based electro mechanical locking system with a truck-specific one to enable more efficient tracking of fuel-carrying tank trucks using GPS and mobile technologies. The company estimates this innovation will save it ₹73.7 crore over five years, and savings to dealers will be ₹450 crore.

Nishi also introduced an integrated margin management system, or IMM, in May 2014. "Normally, crude procurement people would optimise purchases, refineries would optimise their systems, and marketing-distribution setup would optimise their distribution (separately)," explains Vasudeva, who reads up and prepares for important meetings at night, and likes to listen to old music – both Hindi and English – to unwind. "But once you integrate all three, you get much better value."

Every month a meeting of the IMM team – headed by an executive director, and including heads of retail, operations, distribution, refinery, IT – is held to determine how much fuel sales is likely the next month. The forecasting goes down to the level of how much of each product would be needed in each depot and terminal. This forecast helps the company buy exactly the quantity of each product that it needs, and thus prevent over-purchase of any product, saving unnecessary cost.

According to Pushp Kumar Joshi, HPCL's HR Director, this initiative has enhanced synergy between HPCL's functional departments and helped the company improve its margins. Operating profit margin in FY15 was 3.31 per cent compared to 2.75 per cent in FY14, and 2.63 per cent in FY13. And net profit margin improved to 1.32 per cent in FY15, the first time it crossed one per cent in four years. "During her tenure as CMD, there has been a remarkable improvement in terms of focus on results," says Joshi.

> "Normally, crude procurement people would optimise purchases, refineries would optimise their systems, and marketing-distribution setup would optimise their distribution. But once you integrate all three, you get much better value"

Despite the impressive performance, HPCL's profit margins are still lower than competitors like BPCL and IOCL. BPCL had operating profit margin of 4.42 per cent and net profit margin of 2.14 per cent in FY15, and IOCL's corresponding numbers were 3.65 per cent and 1.21 per cent. But Nishi is confident that initiatives like IMM will help HPCL get a leg up on competition in 2015/16.

ONGC's Sudhir Vasudeva says that traders buying crude futures point to crude prices not crossing $60 to a barrel till 2018. A forecast by IMF sees crude prices going up slowly over the next few years to touch $69 per barrel in 2020, which should be good news to oil marketing companies like HPCL.

The company has faced one setback, though. A new refinery that was supposed to come up in Barmer, Rajasthan, as a joint venture with the Rajasthan government, has been put on hold by the new BJP state government. As of today, the land has been allocated (as part of the government's 26 per cent equity stake), and a boundary wall put up. Beyond that, nothing has moved. A proposed capacity of 9 MMT for this plant would have taken the company's capacity up by almost 40 per cent. While admitting that it is a setback to HPCL's future strategy, Nishi says the company is augmenting capacity of its existing refineries in Mumbai and Vizag to a total of around 27 MMTA, from current 15 MMTA, by 2020.

Having taken over the reins of HPCL on March 1, 2014, Nishi is set to retire on March 31, 2016, giving her two years in the corner room. She can retire easy, but she has a small regret – she was never transferred out of Mumbai to small depots in other parts of the country, a process almost all oilmen in India have to go through. "I wanted to work in the depots, but I was never sent," she says, the tinge of disappointment obvious in her voice. ◆

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# THE MASTERCHEF

Geetu Verma has given a new lease of life to Hindustan Unilever's food business.

By AJITA SHASHIDHAR

**Geetu Verma, 48**
Executive Director, Foods, Hindustan Unilever

WHY SHE MATTERS:
She gave HUL's food business a new focus. She has increased the contribution of the food business to overall revenues by 25 per cent.

WHAT MATTERS TO HER:
To create a food DNA and culture in the organisation

Geetu Verma, Executive Director (Foods), Hindustan Unilever (HUL), likes to call herself a "food innovator" who specialises in creating the most delectable breakfast delicacies. "I make the best sandwiches and the most innovative spreads and dips," she says. Her latest creation is a noodles omelette with a stuffing of HUL's own Knorr soupy noodles.

Verma's innovator instincts have ensured that the ₹30,805-crore fast moving consumer goods (FMCG) company has got back its much-needed focus on food. When Verma quit PepsiCo to join HUL in 2011, the latter's food business seemed to be going nowhere. Growth had slipped from 30 per cent to 18 per cent between 2001 and 2011. The company was being criticised for giving step-motherly treatment to the business. As if that wasn't enough, new entrants such as ITC overtook this decades-old business in terms of revenue.

However, Verma brought in the necessary changes. In the past three years, the contribution of the food business to overall revenues has increased by 25 per cent, says a proud Verma, who calls her team 'Foodies'.

"HUL finally seems to have a clear food strategy," says Devendra Chawla, Group President (Food, FMCG and Brands), Future Group. "There is a well-thought-out execution plan behind each category, each brand. Despite not many new launches, the existing categories are seeing a sharper consumer connect," he says.

Investing in existing categories was exactly what Verma did. She was clear from the beginning that she wouldn't enter new categories to begin

**Food on her mind:** Geetu Verma is increasing the contribution of the food business to HUL's total revenue

RACHIT GOSWAMI

with. "We had a heritage portfolio like Brooke Bond, Taj and Bru. It had scale and needed to be taken to the next level. The other part of the portfolio such as ice cream and Knorr was nascent with low penetration and had to be built," she says.

The first thing Verma put in place was a separate 'go-to-market' strategy for the brands. They were no longer distributed with other FMCG offerings. This, says Verma, significantly improved their availability. In addition to this, she put together a separate team that made sure consumers got to sample the products in offices, schools and university campuses.

"We opened food kiosks where consumers could try jam sandwiches, soupy noodles or ketchups. We are touching about 10 million consumers through sampling," she says.

At the same time, Verma exited categories such as soya juices and sandwich spreads. "Staying the course on our core categories, making portfolio choices, focusing on the go-to-market strategy, creating sampling infrastructure and, of course, the magic of marketing — this, in a nutshell, has been our journey in the last three years."

"HUL, of late, has done a great job of capturing the tastes of global Indians, especially with its Knorr range," says Gaurav Tandon, founder of speciality food start-up Yummade.

Apart from getting the food business back on track, Verma has taken several steps to create a food culture in the organisation. On Fridays, for instance, her team attends a cooking class after office hours where the members bake cakes and cull out snacks using their own food brands as ingredients. "We once baked cup cakes and used Kissan jam as a filling."

These activities, she says, bring her and her team closer to food. "If we love the food, only then can we transfer that love to consumers," she says.

Now that the basics of her business is in place, the next few months, says Verma, would see a lot of action in terms of rollout of new innovative products.

However, the company still has a long way to go to reach the level of its parent company, Unilever, which gets over 45 per cent revenue from food. "HUL is committed to its food business and I see ourselves continuing to strengthen our position." ◆

*@ajitashashidhar*

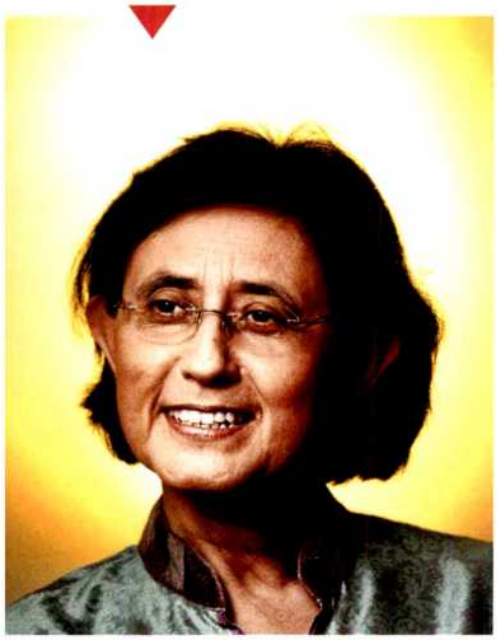
HALL OF FAME

# THE ELITE 13

A brief look at the women in *BT*'s top league. By TEAM BT

## VINITA BALI

Former Managing Director, Britannia Industries



NILOTPAL BARUAH

Not only did she quadruple Britannia's revenue from ₹1,615 crore in 2005/06 to ₹6,342 crore when she exited the company in 2013/14, Vinita Bali, 60, also made biscuits more nutritious. Right from the NutriChoice range to milk bikis and bread, Bali made sure all of them are fortified with minerals. "We knew that biscuits are an excellent carrier of micronutrients... we combined this with the stark reality of malnutrition and decided to fortify several brands with micronutrients," she told BT earlier. Now, every biscuit maker has forayed into the category. Her passion to make the world free from malnutrition continues. She is on the board of several organisations such as Scaling Up Nutrition, an initiative of the United Nations and Global Alliance for Improved Nutrition.

## SHOBHANA BHARTIA

Chairperson and Editorial Director, HT Media

When Shobhana Bhartia took over the reins of her father K.K. Birla's pre-independence newspaper business, *Hindustan Times*, profit was the last thing he was bothered about. The newspaper was his passion, which he had passed on to this daughter, in whom he saw all the qualities of a good newsperson. Bhartia, 58, has turned this passion into a successful and profitable business. While *Hindustan Times* is the second-most widely read newspaper in the country, Bhartia also runs business daily *Mint*. The group also has a presence in radio broadcasting.

## RENU SUD KARNAD

MD, HDFC

Under Renu Karnad's leadership, India's biggest mortgage lender with an asset base of ₹2.53 lakh crore has managed to protect its turf despite stiff competition from banks. Karnad, 63, also gives strategic direction to the group in new areas like education, property venture and asset management. A financial sector veteran, Karnad also sits on boards of big companies like EIH, ABB India, WNS and Bosch.

VIVAN MEHRA

## CHANDA KOCHHAR

MD & CEO, ICICI Bank

Kochhar, 53, heads the country's largest private sector bank. Under her, the bank has been taking big strides in digital banking, especially mobile and video banking. Despite a challenging operating environment, under her, the bank has managed to achieve healthy growth in loans and deposits, a comfortable capital adequacy ratio and control non-performing assets.

## NAINA LAL KIDWAI

Chairman, HSBC India

Kidwai now has a regional role in the UK-headquartered HSBC. As a director of HSBC Asia Pacific, the 58-year-old has a larger strategic role. In India, she continues to support Indian operations in key businesses of banking, mutual funds, insurance and back office.

VIKRAM SHARMA

THE MOST POWERFUL
# WOMEN IN BUSINESS

## KIRAN MAZUMDAR-SHAW,
Chairperson and MD, Biocon

Kiran Mazumdar-Shaw's biggest achievement in the past year has been taking Biocon's arm, Syngene International, public. "I have been able to unlock a value of $1 billion from our research services business...we continue to build value and create differentiation," says the 62-year-old. The listing, coupled with Biocon's four biosimilar programmes advancing in the clinic, means the company is raising its profile as a global biopharmaceutical company.

## ZIA MODY
Managing Partner, AZB & Partners

Zia Mody, 59, is the last word on corporate M&As, securities law and private equity in India. After her master's degree from Harvard Law School in 1979, Mody practised in the US for five years. Her star shone when the Indian economy opened up in 1991 and her friends and old clients in New York approached her for advice on investing in India. Mody is also a member of a SEBI panel on mutual funds and FICCI's capital market committee.

RACHIT GOSWAMI

## KALPANA MORPARIA
CEO, JP Morgan India

Morparia, 66, overseas JP Morgan's India business encompassing investment banking, asset management and treasury with added responsibility for global research, technology and operations. She is also part of JP Morgan's strategy team headquartered in New York.

## SWATI PIRAMAL, Vice Chairperson, Piramal Enterprises

A medical doctor by education and an alumnus of Harvard School of Public Health, the 59-year-old Piramal used her background in medicine, public health and business to change the trajectory of health care, education and public policy in India. She is regarded as a pioneer who campaigned for new drug research in India and highlighted the importance of scientific innovation. She also served as an adviser to the prime minister on science, technology and economic policy from 2006 to 2014.

## RENUKA RAMNATH, MD & CEO, Multiples Alternate Asset Management

The investment advisory firm led by Renuka Ramnath, 53, manages $400 million (₹2,600 crore) raised from Indian and foreign institutions, and is said to be on the road to raise a second fund of $500-600 million. The first fund had adopted a sector-agnostic strategy and invested both in listed as well as unlisted companies. It has so far invested in 11 companies, including Arvind, PVR, Vikram Hospital, Indian Energy Exchange, Sara Sae, Livpure and Delhivery. It also made two exits – South Indian Bank and Cholamadalam Investment and Finance Company – both in early 2015.

## PREETHA REDDY

Executive Vice Chairperson, Apollo Hospitals Enterprise

She might have passed on the title of Managing Director to her sister Suneeta, but Preetha Reddy, the eldest daughter of Apollo Hospitals founder Prathap Reddy, still plays a key role in the hospital chain. Preetha, 58, is the go-to face of the family which interfaces with clinicians and doctors. She has shown a deft touch in attracting and retaining talent. One outcome has been the 99.7 per cent satisfaction rate among patients.

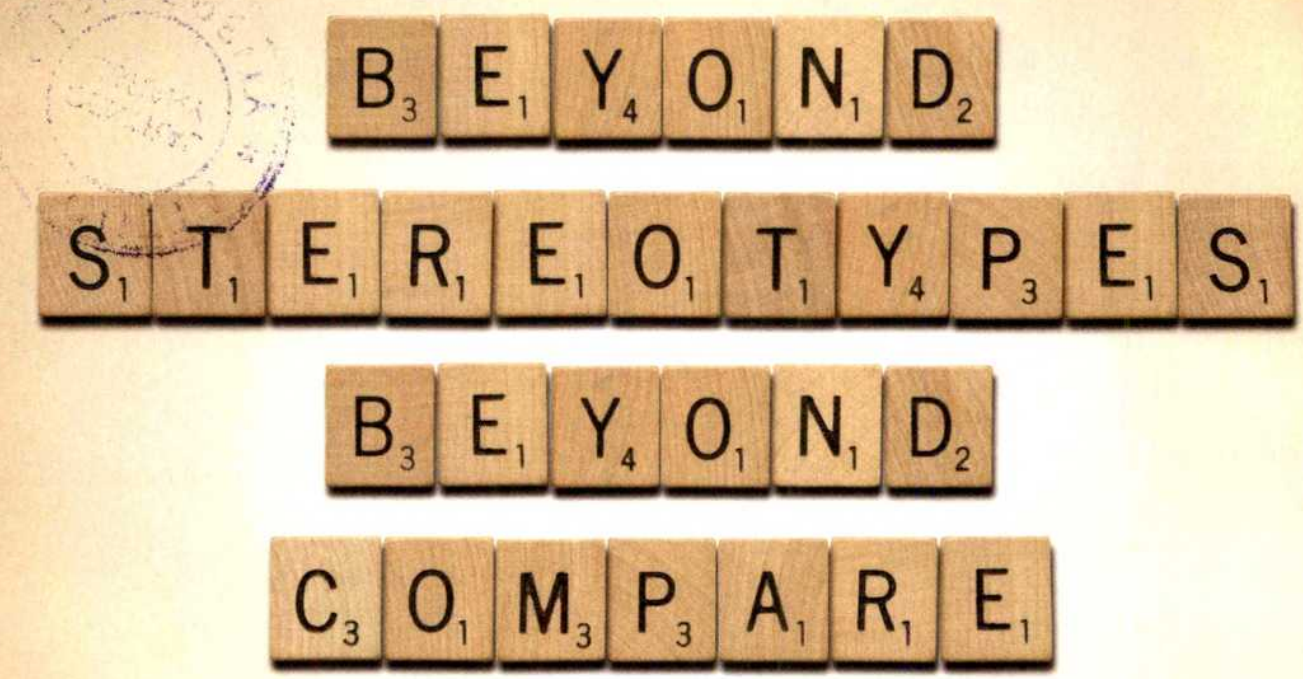
## MALLIKA SRINIVASAN

Chairman and CEO, TAFE

The monsoon might have played truant this year, impacting the fortunes of most farm equipment sellers in the country, but for tractor queen Mallika Srinivasan, it has been a productive year. TAFE, India's second-largest and the world's third-largest tractor maker, retained its market share. During the year, Srinivasan, 55, also invested close to $140 million in its US partner AGCO to become one of its top shareholders with an almost 13 per cent stake. With TAFE operating in more than 82 countries, and with a higher stake in AGCO, Srinivasan is likely to continue influencing the global farm equipment industry.

## SHIKHA SHARMA, MD & CEO, Axis Bank

Axis Bank, under Sharma, 56, continued its momentum this year. Despite pressure on corporate India, its loan book jumped 22 per cent to ₹2,81,083 crore in 2014/15. Its capital position is comfortable (15 per cent-plus) with low net bad loans of 0.44 per cent. The bank is poised to exploit opportunities given the poor state of affairs at government banks.

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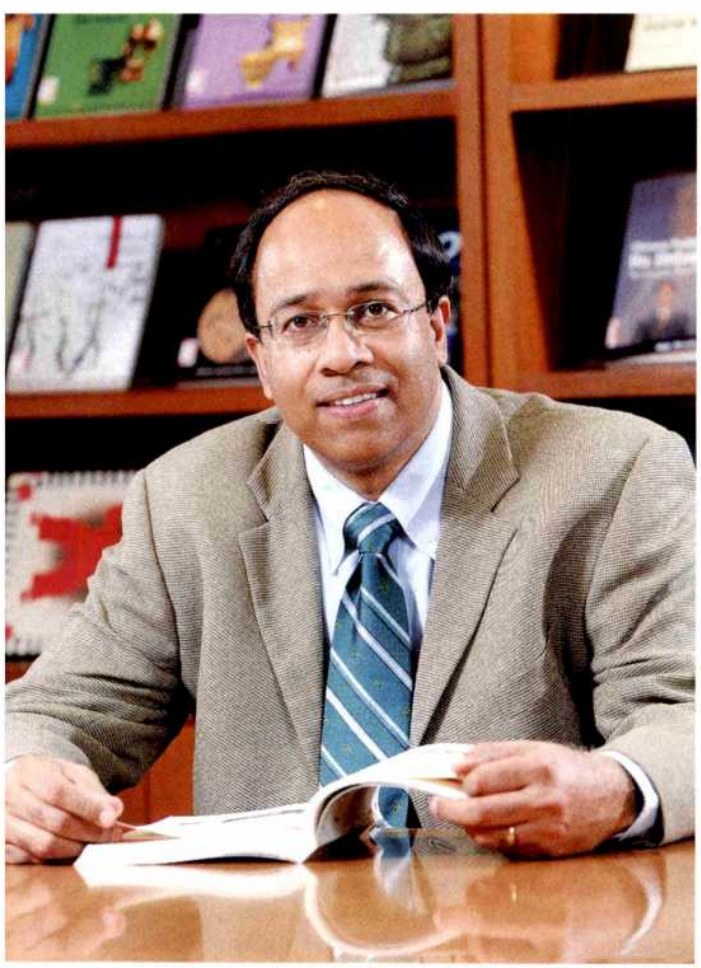
# Make in India: The Role of Ecosystem Productivity

***China has made a successful transition from a factor-based to an efficiency-based economy, largely because of its ecosystem productivity. India will have to buck up too if it wants manufacturing to contribute 25 per cent of the GDP by 2020.***

By S. RAMAKRISHNA VELAMURI



During the past year, Prime Minister Narendra Modi and his team have made a strong pitch to investors to "Make in India". According to Daniel J. Meckstroth, VP and chief economist as well as council director of the MAPI Purchasing Council, China's share of world manufacturing was 22.4 per cent in 2012 (up from 2.3 per cent in 1992) compared to 2.1 per cent for India. Can India achieve similar success in the manufacturing sector?

A recent Bloomberg article reported that hourly wages in India and China in 2014 were $0.92 and $3.52 respectively. MNCs with strong manufacturing operations in China, however, find it difficult to move elsewhere. First, the Chinese market size is so big that manufacturing in the country becomes an imperative. Second, the ecosystem productivity in China has significantly compensated for the rising costs. Ecosystem productivity is a function of a number of factors: political stability, business friendly regulations and favourable taxation, cooperative unions, infrastructure quality, and well-developed industrial clusters. According to the WEF's Global Competitiveness Report 2014-2015, China has made a successful transition from a factor-based to an efficiency-based economy, largely because of its ecosystem productivity. It is now putting in considerable investment and effort in making the next transition to an innovation-driven economy.

India's poor ecosystem productivity manifests itself in many ways:

1. A 2013 study by EY and the Retailers

**S. Ramakrishna Velamuri** is Professor of Entrepreneurship at the China Europe International Business School (CEIBS) in Shanghai

Association of India points out that 40 per cent of the delays in the road transport of goods are attributable to state border check posts. The average speed of trucks in India is 20 to 40 km/hr versus 60 to 80 km/hr in developed countries; trucks cover 60,000 to 100,000 km per year in India versus 400,000 to 600,000 in developed countries; and the average distance covered by a truck in India is 250 to 400 km/day versus 500 in the other BRICS countries and 700 to 800 in the US and Europe. According to the McKinsey Global Institute, logistics inefficiencies cost India approximately $45 billion a year.

**2** According to an OECD study, vessel turnaround time in the Shanghai port is 0.79 day versus India's over three days average. The Shanghai port handles four times as much cargo (in 20-foot equivalent units or TEUs) as the 13 major Indian ports combined. If our merchandise exports are shipped with seven days delay on average due to a combination of road and port inefficiencies, the financial cost alone works out to $760 million (assuming 11 per cent cost of capital and $360 billion in merchandise exports).

**3** A big fallacy we commit in India is to assume that the poor are only interested in low-cost products and services and won't pay more for time-saving technology.

**(a)** We committed the same mistake about 20 years ago when we assumed that mobile phones were only for the wealthy. Several years ago, I was talking to a seamstress in Mumbai and noticed she had one. She told me that earlier, there were many times when she would go halfway across Mumbai, only to find that her clients were not at home. She said the benefits from the time saved far outweighed the cost of owning the mobile phone, a reason its penetration has reached the high levels that we could not imagine when the technology was first introduced. **(b)** This same mindset continues to plague the Indian Railways. A migrant worker from Bihar, who works in Chennai, recently had to rush back to his village because his house had been damaged by the Nepal earthquake. He first travelled from Chennai to Howrah on the Coromandel Express (27 hours). He then commuted from Howrah to the Sealdah station to take the Gangasagar Express (unreserved ticket) to Darbhanga (more than 12 hours). He then took a bus to his village. This entire journey took him well over 48 hours. By inducting technology, the railways can reduce the time taken for this journey by at least half and probably by two-thirds. The reason we have not done so is that our passenger fares are at unsustainably low levels (less than 30 paise/km), so the railways can't generate enough cash to invest in modernisation.

Due to our mistaken beliefs, we impose low productivity on the business community also, hampering its ability to compete. A sales manager, who travels frequently by train, is paying a huge price in terms of lost productivity and lack of comfort. The railways achieved 1.16 trillion passenger kilometres in 2014. Assuming average speeds of 50 km/hr, we are looking at nearly 24 billion hours of passenger time on the railways. If we could save a third of this by increasing the average speed, it would be the equivalent of adding four million workers to the workforce.

**4** Intra-city movement in India also results in a significant amount of downtime. Compare the time lost in commuting by executives in Mumbai and Bangalore relative to those in Singapore. Over time, what kind of productivity penalty do Indian managers pay because of poor infrastructure in their cities? In what ways does this low productivity hamper their ability to compete internationally?

**5** Productivity loss is attributable as much to antiquated mindsets as it is to poor quality infrastructure. How often do you see senior managers hovering around the CEOs office to meet him? How many of us have had to wait for hours at government offices trying to get paperwork done that could easily be done online?

It would be unfair not to acknowledge the continuous improvement that has taken place in India in all the above fronts. Most cities are in the midst of significant infrastructure projects despite severe financial constraints. The railways management has been doing its best to keep the organisation afloat in the face of unsustainably populist policies. Many government procedures are online today. Many well-managed companies have achieved globally competitive levels of productivity. However, the value of time needs to be appreciated across the political parties, government organisations, PSUs and private firms, if we are to achieve ecosystem productivity, which is necessary for the "Make in India" campaign to achieve its ambitious goal of 25 per cent of the GDP coming from the manufacturing sector by 2020. ◆

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# AS GOOD AS NEW

Refurbished gadgets, which have caught the fancy of the Indian consumer, come at a considerable discount. Here's a sneak peak. By NIDHI SINGAL

There are brand new products and then there are second-hand ones. In between, is an emerging category flooding the Indian market – refurbished electronic goods, available at half or three-fourth the price of a sealed product. They are claimed to be as good as new, and come with the seller's warranty, instead of the manufacturer's warranty.

Refurbished goods need not be only second-hand products, repaired and quality-checked, but also include factory seconds, dead on arrivals, and ecommerce and retail returns, apart from an open box (not sealed) device. These are significantly different from second-hand products available at local markets, such as Nehru Place or Gaffar Market in New Delhi, or sold on online portals like Quikr and OLX, where the products are neither repaired nor provided a warranty.

While the refurbished market is primarily dominated by unorganised retailers, who may or may not carry out even basic repairs, there are many organised players, too. GreenDust, for example, is an early entrant, and has been doubling its growth since it started five years ago. The company offers 25-40 per cent discount on the actual cost of a product on refurbished factory seconds, and retail and ecommerce returns, through its 17 centres across the country. "Mobile devices are being sold online. However, home appliances and consumer durables are sold through retail stores. For example, buying a refrigerator or a washing machine is still a social affair in India. At the moment, we have 300 franchise stores across India," says Hitendra Chaturvedi, founder and CEO, GreenDust. GreenDust offers one-year warranty on all its products. It even has a 30-day return policy, if the buyer is not happy with the product. For

ILLUSTRATION BY RAJ VERMA

warranty, the company has its own service setup, offering onsite service for large home appliances.

Reboot Systems is yet another player in the refurbished products space. However, it deals only in laptops and desktops of all brands, and smartphones and tablets from Apple. The starting range of refurbished desktops from Reboot is ₹4,999 which comes with a one-year, no-questions-asked replacement policy. But this does not include the cost of a monitor, keyboard and mouse. The company sources IT products from corporate houses, and is even willing to tap into large households in India for sourcing gadgets. It also provides a certificate with each product that states how green their initiative is. Reboot uses a hybrid model – both online and offline – to sell its wares.

A third, Overcart, facilitates companies to sell their unwanted or excess stock, and unboxed and refurbished devices, to end consumers through their website. It does not refurbish goods on its own. "We can identify the fault, if any. Then they are passed on to authorised service centres or centralised refurbished centres. The devices come with company warranty, whatever is left. We have tied up with Asus and Xiaomi, and other brands that have manufacturing facilities in India because it ensures that the parts for repair are easily available in the country," says Saptarshi Nath, Managing Director and co-founder, Overcart.com. Gobol, Overstock and Valuecart are also into selling refurbished gadgets.

Then, there are others. Ingram Micro, for example, is one of the biggest smartphone distributors in India, that refurbishes smartphones at its own facility and distributes them through its existing brick-and-mortal retail channel. "Refurbished goods are a great way to meet aspirational value without paying too much. We started in December 2014, and refurbish close to 10,000 smartphones every month. Our products are priced competitively and come with tamper-proof stickers so that the customer is well aware of the refurbished device and is not cheated by the shopkeeper," says Anil Kaushik, Director, Services, Ingram Micro India.

While demand for refurbished goods had primarily been from tier II and tier III cities, companies are witnessing a rise in demand from metros, too. On an average, the ratio, today, would be 40 per cent from top metros and 60 per cent from the remaining cities.

Though individual players are dominating this space, ecommerce portals are also looking at selling refurbished devices. Recently, Amazon started a pilot for selling refurbished Samsung and Xiaomi devices through 'fulfilled' third-party sellers. These devices were listed under the refurbished category and came with six months warranty. Says Noor Patel, Director Category Management, Consumer Electronics and Media, Amazon India: "We have started piloting the refurbished category about two weeks ago. Our consumer insights give us enough reason to believe that there is a market in India for quality-assured, branded refurbished smartphones, and the early response from customers has been encouraging. We are witnessing a lot of interest from various sellers who are keen to offer refurbished mobile phones with warranties of six months or more from brands, through our marketplace."

eBay India, too, has partnered with eight companies to sell refurbished mobile phones, tablets and laptops. It plans to expand its offering to home appliances, including washing machines, refrigerators and gaming consoles by December. "We have tied up with Amazon India and eBay India to sell our products under the refurbished category on their portals," says Chaturvedi of Greendust.

Refurbished gadgets are not only the choice of individuals and families, but even small corporates and start-ups are considering them seriously. For GreenDust, start-ups from Delhi, Mumbai and Bangalore add to its consumer base, as they end up saving 30-40 per cent on their IT spends, but enjoy one-year warranty along with service support on branded products. Says Rahul Chowdhury, CEO and co-founder, Reboot: "Schools too are opting for refurbished PCs as it helps in saving cost. Interestingly, in the US, 27 states mandate all government agencies and state-owned schools and enterprises to buy only refurbished IT products."

With no clear study, industry players estimate this market to be anywhere between $15 billion and $20 billion, mostly dominated by the unorganised sector and small regional players. With increasing demand of refurbished products, the segment is expected to grow exponentially in the coming years. ◆

## Points to Note

1. A brand new iPhone 5S 16GB is sold for ₹36,000 on Amazon and ₹40,000 on Flipkart. A refurbished iPhone 5S 16GB is available for ₹30,865 on GreenDust, with one-year warranty, and ₹29,999 on Overcart, which claims it to be refurbished by the manufacturer
2. The demand for refurbished Apple iPhones is far higher in comparison to any other smartphone
3. The demand for laptops and desktops is the same for all brands, whether it be HP, Dell, Lenovo or Acer
4. Mobiles contribute 50 per cent of the refurbished business in India. The other 15 per cent comes from IT products and 25 per cent from refurb home appliances
5. Check the kind of warranty you get before buying refurbished goods

# Great Value for Money

The Asus ZenFone 2 Laser is an impressive device targeted at photography enthusiasts.

**By NIDHI SINGAL**

**BAG IT OR JUNK IT:** Best smartphone under ₹10,000.

**RATING:** 4.5/5

**PRICE:** ₹9,999

**PLUS:** Camera with laser focus, performance

**MINUS:** No full HD display

Last year, Asus returned to the Indian smartphone market with its Zenfone range. Opting for the online-only strategy, the company received a great response and now has the complete range of ZenFone 2 smartphones.

ZenFone 2 Laser is aimed at photography enthusiasts without hurting their pocket. Designed along the lines of the flagship ZenFone 2, the ZenFone 2 Laser boasts a 5.5inch HD display with Corning Gorilla Glass 4 protection. The Asus brand is displayed on the top, while the back, home and multitasking keys are at the bottom of the display. The phone has a slightly curved rear and curved corners. The power key has been placed on the top and the volume keys on the rear, making it comfortable to grip.

The highlight of the ZenFone 2 Laser is its 13 MP camera with laser auto focus and dual LED flash. The laser focus helps in focusing on the subject quickly. This comes handy while capturing close-up shots. A laser focus in a budget smartphone is rare, so we welcome Asus's decision. The camera's performance was impressive. Images captured during the daylight were sharp but were not so good during low-light conditions, although the night mode and the dual LED flash came handy. With changing environment, the camera app automatically suggested to activate HDR mode with a simple touch. It has various modes including beautification, super resolution, low light, night, depth of field, panorama, miniature and time rewind. Even for capturing selfies there are advanced settings such as selecting the number of faces to detect. The countdown for capturing images starts only after the faces are detected.

The ZenFone 2 laser has a new ZenUI skin, which is based on Android Lollipop operating system. By default, in the app tray, apps are categorised into folders and one can change the view mode from all to downloaded, customised or frequent. There is also a Kids Mode that comes handy if a kid is playing on the phone. Overall, the performance of this device is impressive. There wasn't any lag while playing games such as Asphalt 8 or switching between multiple running apps. It is powered by 64-bit 1.2Ghz Qualcomm Snapdragon 410 chipset and is paired with 2 GB of RAM. It comes with 16 GB internal storage and supports expandable memory. Being a dual SIM smartphone, it also supports 4G network. The 3000mAh battery was good enough to last over a day on a single charge. ◆

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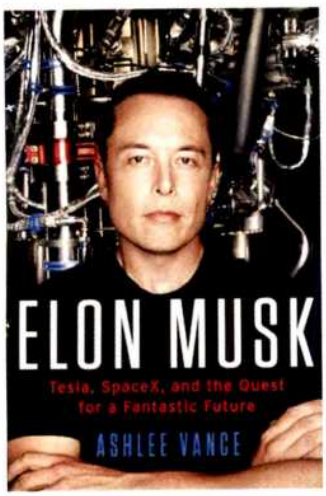
# A Man of Many Avatars

**The book does an excellent job of not projecting Elon Musk as a corporate deity, like many biographies do inevitably.** By RAJEEV DUBEY




***Elon Musk: Tesla, SpaceX, and the Quest for a Fantastic Future***
**By Ashlee Vance**
PAGES: 400
PRICE: ₹1,377
Ecco

It's easy to get overawed by a man of many avatars like Elon Musk. However, US business technology writer Ashlee Vance has done an exceptional job of keeping his journalistic instincts alive and kicking right through the book by not projecting him as a corporate deity that many such biographies would do inevitably.

Instead, Vance who, like Musk, was born in South Africa, has made it a point to be irreverential: "... Musk can come off as shy and borderline awkward. His South African accent remains present but fading, and the charm of it is not enough to offset the halting nature of Musk's speech pattern. Like many an engineer or physicist, Musk will pause while fishing around for exact phrasing, and he'll often go rumbling down an esoteric, scientific rabbit hole without providing any helping hands or simplified explanations along the way."

There are many such examples right through the book. In fact, the project began with Musk shooting down Vance's offer to write the book. But Vance's dogged pursuit of his subject through people around him forced Musk to agree to the book.

An interesting aspect of the book is the suggestion – through Musk's deeds – that humanity was abandoning hard science (the kind that creates real products) for the soft Internet world in the manic hunt for easy money. Musk himself cashed out of his first two digital ventures (Zip2 to Compaq for $307 million in 1999 and PayPal to eBay for $1.5 billion in 2002) to invest in space travel equipment maker SpaceX, electric car maker Tesla Motors and solar power champion SolarCity. If SpaceX succeeds, it would be a giant technological leap for the US versus rivals such as Russia and China. Musk says his family fears the "... Russians will assassinate me".

But that isn't Musk's only worry for humanity's sake. He is also concerned that Google co-founder Larry Page could be building self-learning robots which could destroy mankind. "He could produce something evil by accident," he tells Vance.

The book also takes a voyeuristic peek into Musk's personal life. It mentions the split with ex-wife Justine with whom he shares custody of their five boys, that he was teased for his peculiar surname in his childhood and that he isn't shy of abusing colleagues at work. All these, however, are aside from the greatest challenges to humanity he is trying to tackle — to colonise Mars through SpaceX, to eliminate use of fossil fuel through electric cars at Tesla and to generate solar power at SolarCity.

He was, in fact, fantasising about space even as a 13-year-old in 1984 when South African "PC and Office Technology" published the source code to a video game 'Blastar' Musk had written. The game's aim was to destroy an alien space freighter carrying deadly Hydrogen bombs.

Interestingly, as a child, Musk would often drift into a trance when he didn't hear anybody around. Doctors decided to remove his adenoid glands to improve his hearing. Obviously, it didn't work. Nor did his spaced-out ways help him make friends through his childhood. But as his college batch mate Navaid Farooq recollects, "I don't think he makes friends easily but he is very loyal to those he has."

And yet his pursuits of Mars, electric vehicles and solar power have grown the shy Musk's collective net worth to around $10 billion without chasing the Internet or the digital world.

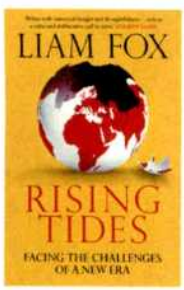
But look at the flip side of the challenges to humanity that Musk is out to tackle: His critics still point out that he is out to build the rich boys' toys, after all. ◆

**An interesting aspect of the book is the suggestion – through Musk's deeds – that humanity was abandoning hard science**

# A Reality Check

## The book is a must-read for students of politics.

By RATUL PURI




***Rising Tides: Facing the Challenges of a New Era***
**By Liam Fox**
PAGES: 384
PRICE: ₹499
Quercus

*Rising Tides* takes a fresh look at a world that is shrinking and transforming. The author, Liam Fox, has done a global reality check on the trade possibilities, economic growth, and the triggers for instability. If you want to read a book on the global political situation, the emerging threats and some probable solutions, this is it!

It's a fairly gripping book, especially considering the geopolitical issues and the historical context. Fox, for instance, tries to find out the reason why Pakistan and India, with a shared history of 200 years of British rule, followed such different trajectories. A whole section is devoted to understanding countries like Pakistan – described as a potentially failing state – and "unstable" and "crazy" North Korea. After all, in a globalised world, Fox says, "like it or not, it is everyone's business".

A good chunk of the book is devoted to oil politics and its impact. The chapter titled *Gulf, Islam and the Global Crossroads* is a short encapsulation of the global crude oil scenario, beginning with the history and formation of alliances such as OAPEC (Organization of Arab Petroleum Exporting Countries) and later the OPEC. The jockeying done by OPEC with the West makes for fascinating reading. Many would disagree with the premise that the oil embargo, which spurred Western nations towards more oil exploration in their own territories, did not produce desired results, and some could argue the author looks upon these incidents with a western lens! Though, it would have been more insightful had the author started with the current scenario rather than taken us back to the past.

The history of Iran within this section is captivating and Fox, who delves into the Sunni-Shia divide and the tensions between the nation and the international community, succeeds in bringing an understanding of why the country is the way it is. He also delves deep into Islam – its true teaching and also its interpretations and how the world has been impacted by it.

Fox's look at the worlds, both past and present, is refreshing and highlights the understanding arising from exposure to intellectual dialogues with prominent individuals such as Tony Blair, Sir John Major, Condoleezza Rice, Robert Gates and Donald Rumsfeld. His explanation on how to meet the challenges of the new global order is perceptive. While some could feel the book is relevant in the current global situation, there could be counter-arguments that some scenarios and cultural nuances have been missed. But lest there be any doubt – this book is a must-read for students of politics.

The best part of the book is that the author doesn't get preachy and allows readers to draw their own inferences. ◆

*The reviewer is Chairman - Board of Directors, Hindustan Powerprojects*

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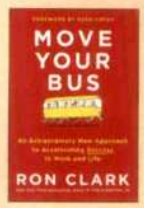


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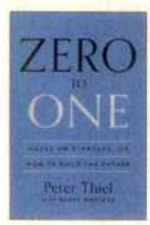


*Zero to One*
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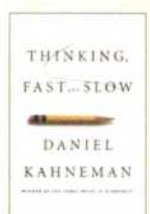


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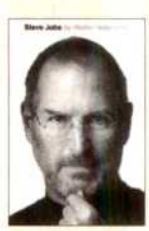

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SHAILESH RAVAL

**Hardik Patel**
Political activist

## Rallying Support

Gujarat, for long peaceful and marching ahead with rapid industrialisation, is now on the boil. **HARDIK PATEL**'s rallying cry is that the Patidar community, comprising 15 per cent of the state population, needs the OBC tag and the benefits of reservation that go with it. Patel, 22, is fast turning out to be an astute politician too, seeking support from Jat leaders in Delhi, who have been demanding inclusion in the Central OBC list, and speaking in Hindi to reach a wider audience. Over the years, the OBC list in Gujarat – with 27 per cent reservation – has gone up to 146. It remains to be seen whether Patel can force recalibration of the reservation policy but he has shaken up the establishment. Patel's voice may find an echo among other Patel groups across the country.

## Musical Chairs

Finance Minister Arun Jaitley, who has just kicked off the budget exercise, has shuffled his team. In the musical chair exercise, **SHAKTIKANTA DAS** is the new economic affairs secretary. The post he vacates, that of revenue secretary, has gone to **HASMUKH ADHIA**, former head of the department of financial services. **ANJULY CHIB DUGGAL**, earlier secretary of Corporate Affairs ministry – also headed by Jaitley – is the new financial services secretary. The new Finance Secretary **RATAN P. WATAL** will continue to head the expenditure department.

Had it not been triggered by the vacancy arising out of the appointment of former finance secretary Rajiv Mehrishi as the new home secretary, the change of roles would have remained more of a reshuffle in the run up to the Union Budget 2015/16. Mehrishi's appointment has given a political twist to the developments in North Block, which houses both finance and home ministries.

**(Clockwise from top left) Ratan P. Watal, Shaktikanta Das and Hasmukh Adhia**

**Ashwani Lohani**
CMD, Air India

## Tough Flight

**ASHWANI LOHANI**, the new CMD of Air India, has his work cut out. He has a gargantuan task of reducing the losses of the national carrier while keeping its debt under control. In 2012, the government approved a turnaround plan for the loss-making carrier, which included infusion of significant capital annually. Subsequently, the airline showed marginal improvement in operational and financial parameters. For instance, the net losses dropped from ₹7,559.74 crore in 2011/12 to ₹5,547.47 crore in 2014/15. A lot more needs to be done but Lohani's recent track record of reviving the fortunes of tourism in Madhya Pradesh bodes well.

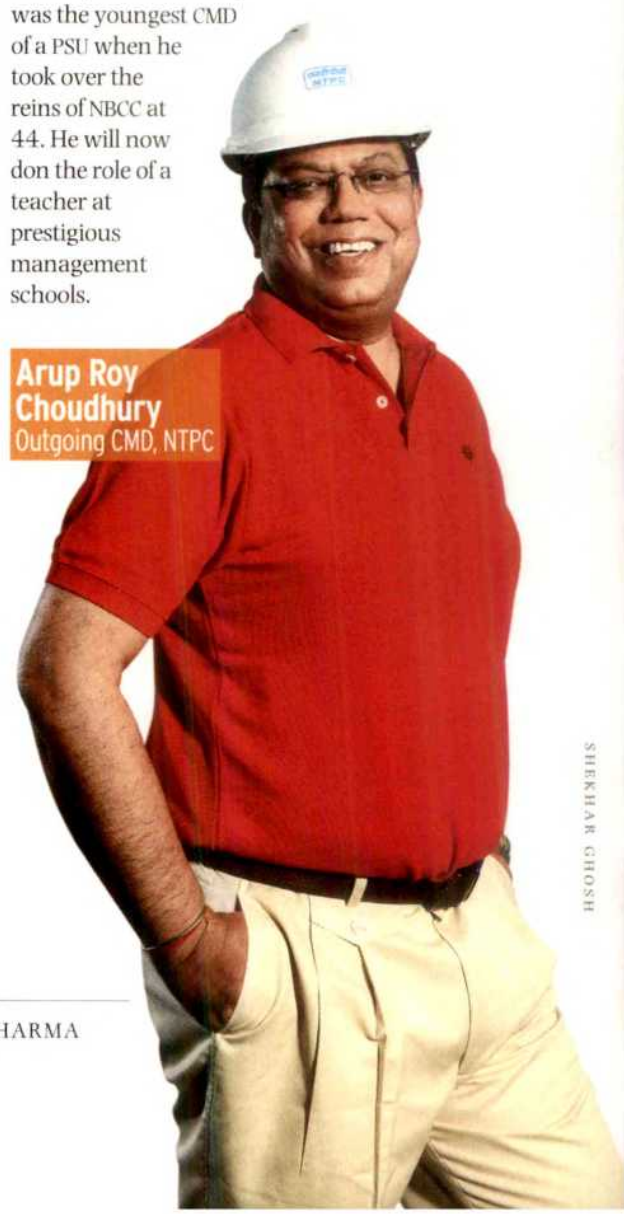
**Prabir Jha**
Global Chief People Officer, Cipla

## Global Dreams

Pharma giant Cipla is thinking big, roping in seasoned hands to meet its global aspirations. The appointments of **UMANG VOHRA** as Global Chief Financial and Strategy Officer and **PRABIR JHA** as Global Chief People Officer will be effective October 1. Jha will also lead the Corporate Communications and Administration functions. Vohra will also be responsible for strategy, portfolio, business development, M&As and business technology. Vohra and Jha have earlier worked with Dr Reddy's Labs.

## Powerhouse Performer

NTPC's stalwart **ARUP ROY CHOUDHURY** is moving on. A bit early, say his admirers. His five-year tenure saw the PSU doubling its installed capacity and dominating the country's power generation arena. Today, most power companies are bleeding as issues related to fuel supply and poor offtake by distribution companies plague them. NTPC is, however, sitting pretty with a 45 GW capacity, which it is planning to take up to 130 GW in the next seven years. Days before Choudhury's retirement, NTPC achieved the highest single day generation of 733.12 million units. The flamboyant Choudhury was the youngest CMD of a PSU when he took over the reins of NBCC at 44. He will now don the role of a teacher at prestigious management schools.



**Arup Roy Choudhury**
Outgoing CMD, NTPC

SHEKHAR GHOSH

COMPILED BY JOE C. MATHEW, MANU KAUSHIK, E. KUMAR SHARMA AND ANILESH S. MAHAJAN

# "PC is the key engine for innovation, growth"

In the PC era, Intel ruled, but there's a perception it has been left behind in the era of mobile devices. **Kumud Srinivasan,** President, Intel India, admits the need to work with greater velocity in this conversation with *BT*'s **Venkatesha Babu**. Excerpts:

***Intel dominates the PC and laptop markets, and both are shrinking. What is Intel's strategy to grow in a post-PC era?***

The PC market is challenging, rather than shrinking. There is reason to be confident in growth prospects with the launch of Windows 10, as well as our 6th Generation Core ('Skylake'). Our overall strategy is to build on core assets like the PC and move into new, adjacent markets such as the Internet of Things (IoT), all the while continuing our leadership through the power of Moore's Law.

***Considering that Intel might be running up against the limitations of Moore's Law (which states that processor speed doubles every two years while costs halve), how do you intend to address this technology challenge?***

We have recently reached product qualification for our next generation, 6th Generation Intel® Core™, to be launched this year, and we expect to ship a third 14-nanometer product, Kaby Lake, in the second half of 2016. This development gives a two-and-a-half year cadence for our process technology, which marks a continuation of Moore's Law.

***Was the perception that Intel didn't move fast enough in mobile devices because the leadership thought the PC era would dominate forever?***

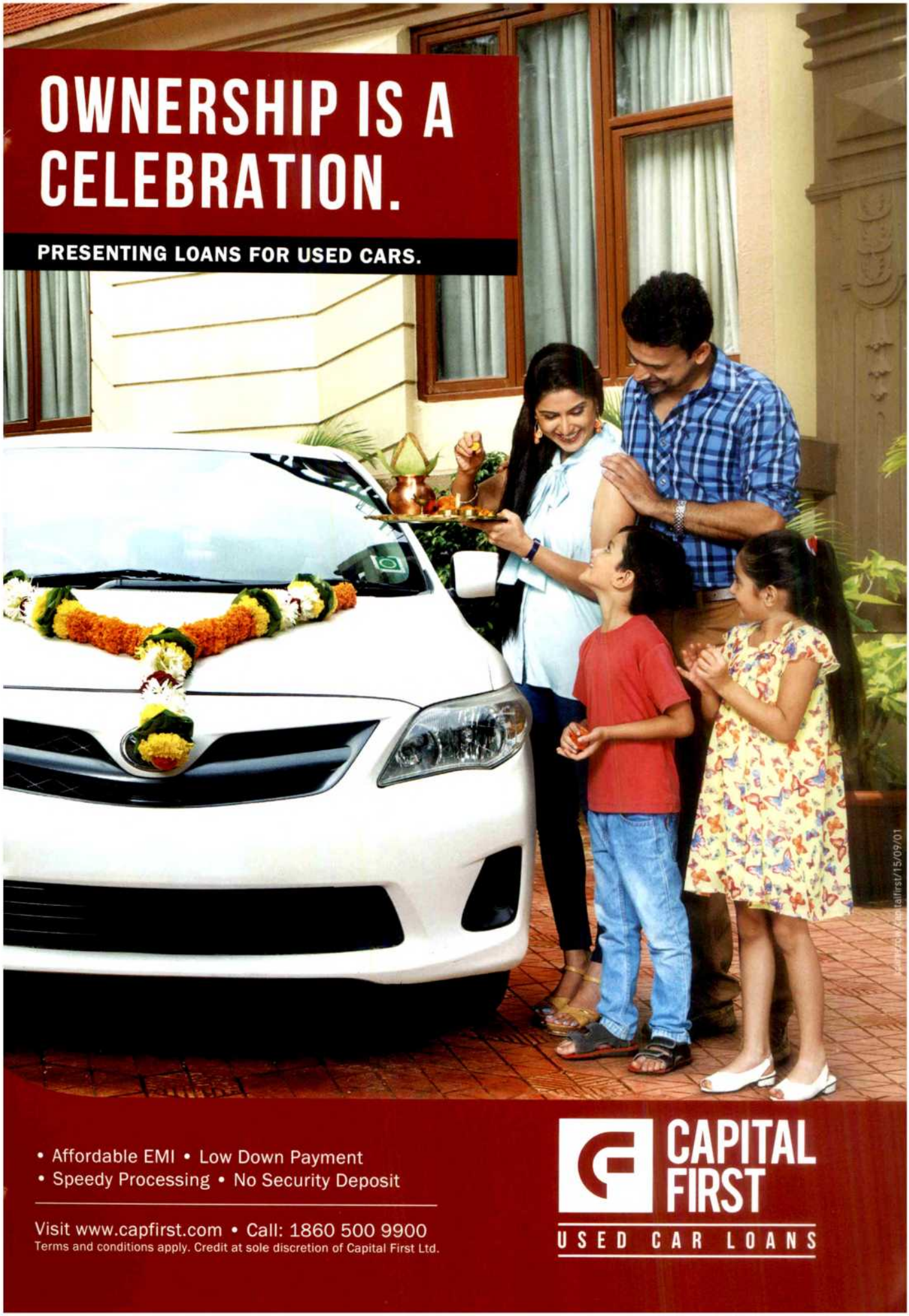
Our priority this year with regard to mobile has been to continue our momentum and improve our profitability. Our overall strategy is 'if a device computes and connects, it does best with Intel'. We have demonstrated strong progress in mobile and real momentum in data center, IoT and wearables, and memory.

***What do you think is the future of computing?***

The era of wearables and IoT is ushering in application of exciting new technologies – from voice and gestures to use of video and media, predictive analytics and security. Ultimately the paradigm of today – how many devices per person – will become irrelevant, as devices – ingestible and injectable – become thoroughly integrated into our lifestyle and environment. The rapid pace of innovation we've seen in IT will continue to usher in the Era of Integration; a time when technology and computational power will no longer be an adjunct to our daily lives, but an integral, immersive and all-encompassing part.

***Intel bet hugely on the ultrabook revolution, but it has not paid the kind of dividends it was expected to. So, what is next on that front?***

Our commitment to PC innovation continues with new form factors like 2-in-1s, convertibles and detachables, and ultra-thin notebooks in the mobile space, and gaming systems, mini desktops, all-in-ones and portable all-in-ones in desktops. Even as the benefits of the digital revolution expand beyond the PC, the PC retains its role as the key engine for innovation and growth. ◆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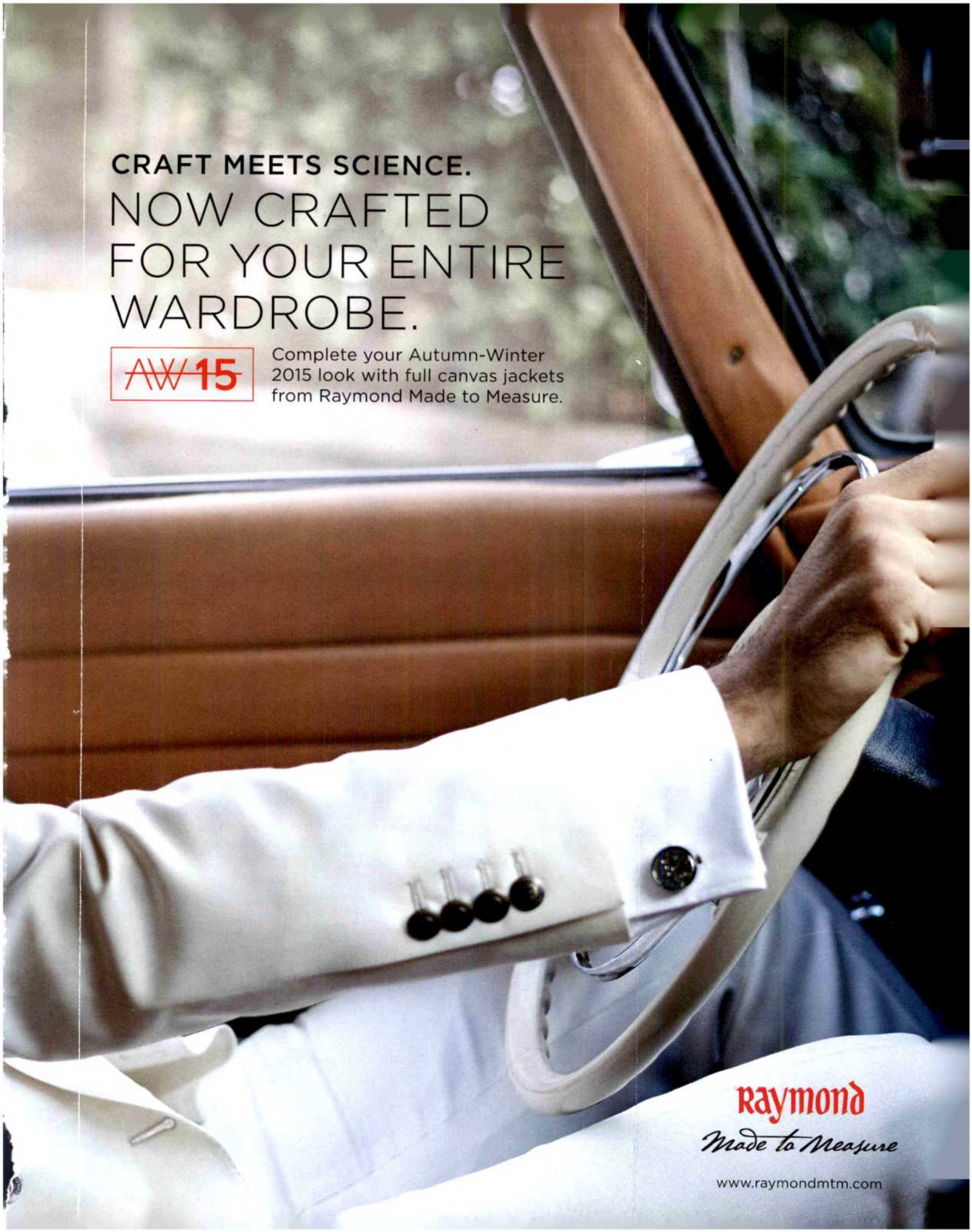
# The Black Hole

## Why the new Black Money Act is bound to fail in bringing back the illicit cash stashed abroad...

PLUS How shell companies & trusts are used to keep money abroad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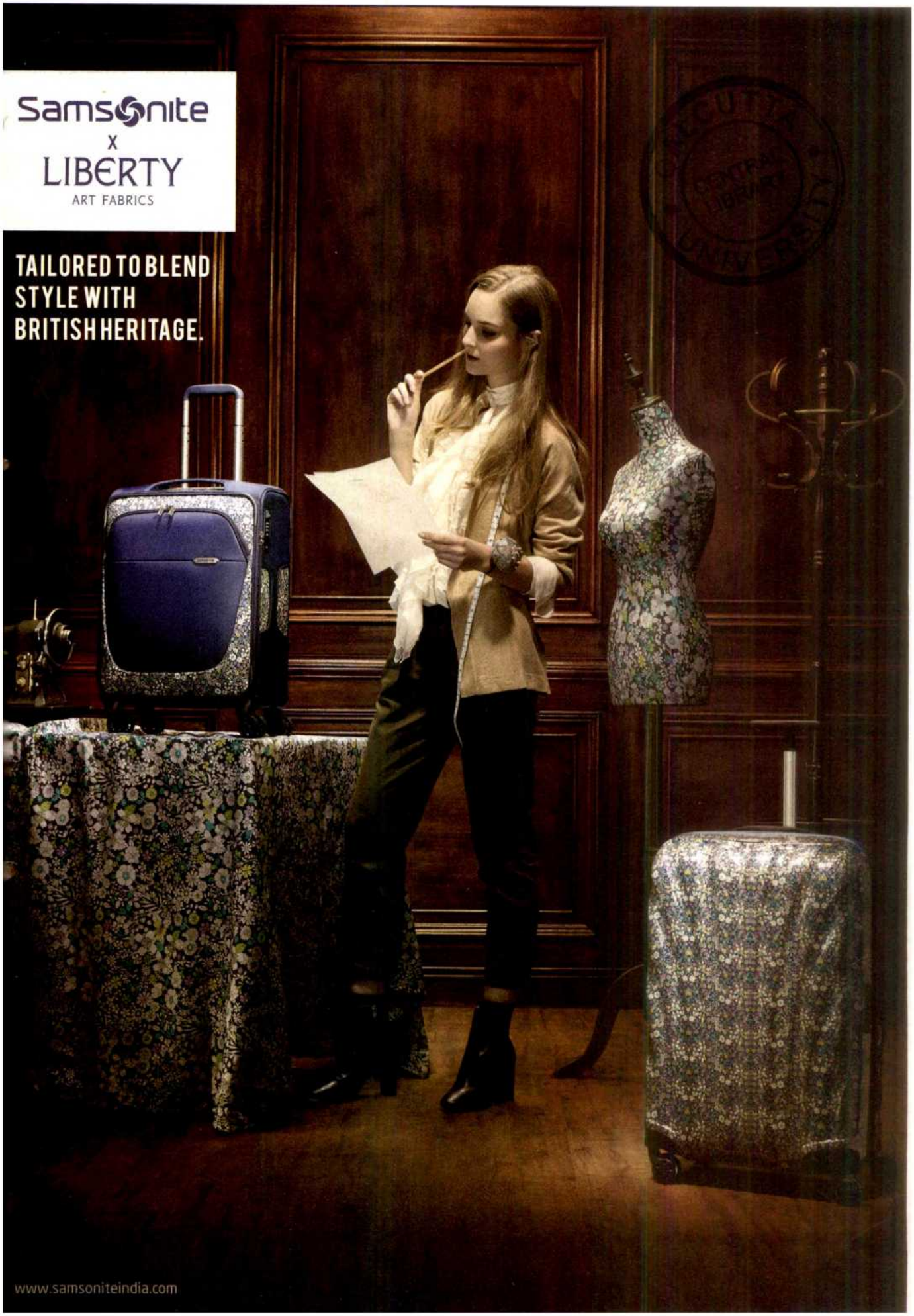
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# From the Editor

## The Colour of Money

On September 30, the 90-day compliance window for citizens holding any foreign asset will end, unless the government decides to extend the deadline. Under the new Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, all foreign asset holders will have to declare their details by that day (if they have not already done so), pay 60 per cent tax and penalty – or else face a jail term of 10 years.

So far, according to Prime Minister Narendra Modi, almost $1 billion has been collected after the law was passed. Of course, tax officials say that typically most people rush to declare their assets only as the deadline nears – and the money actually coming in the last days could be four or five times of what has been collected so far. If the response is as good as they expect, the government would have collected around $5 billion or, perhaps, even $10 billion.

How much black money is actually lying outside the country? Given that black money is by definition money that is hidden away and not declared to tax and other authorities, it is impossible to come up with any sort of precise figure. A few years ago, the Central Bureau of Investigation had estimated that over $500 billion would have been stashed away abroad in the past decade alone. There are others who think that even more money has flowed abroad without the tax authorities having a clue – and it could be in the range of $800 billion or even more.

What everyone agrees – tax authorities and consultants – is that a fraction of the money hidden abroad would have come in by September 30. And, privately, most people following this area say that the government does not have much hope of actually getting big money just by enacting this Act.

Black money is a problem that most governments and countries face – barring those which have exceedingly low tax rates and are tax havens. Also, it is generally accepted that the higher the tax rates, the more temptation there is to cheat. Even the US, despite its enormous efforts to chase tax evaders, faces this problem. First, the super rich try to keep their earnings away from the tax man's scrutiny by using high-powered lawyers and tax consultants, shifting headquarters of their companies to tax havens, using shell companies and trusts, and generally finding and exploiting every loophole in the tax codes. If all that fails, some choose to shift their money and their homes and become citizens of a different country, one with a more benign tax regime. The US has seen a number of billionaires and multi millionaires renouncing their citizenship to move to tax havens.

In India, the highest tax evasion used to happen when the tax rates were as high as 90 per cent of earnings. Since then, things have got somewhat better as tax structures and rates have become more rational. Still the problem remains and is likely to remain for the next few decades. What politicians need to realise is that while promises of getting all black money make for great pre-election rhetoric, it is not as easy to fulfil them once you come back to power.

The only way to tackle the menace of black money is to first have an absolutely transparent and fair tax regime... and after that, one can begin with the compliance issues. Our cover package on the subject will give you an idea about what exactly the Black Money conundrum is all about.

Meanwhile, this issue also contains our best SMEs in India winners. Read their profiles starting page 64. Small and medium enterprises form the backbone of the country's economy, and it is only when they flourish that jobs are created, exports go up, and the economy flourishes.

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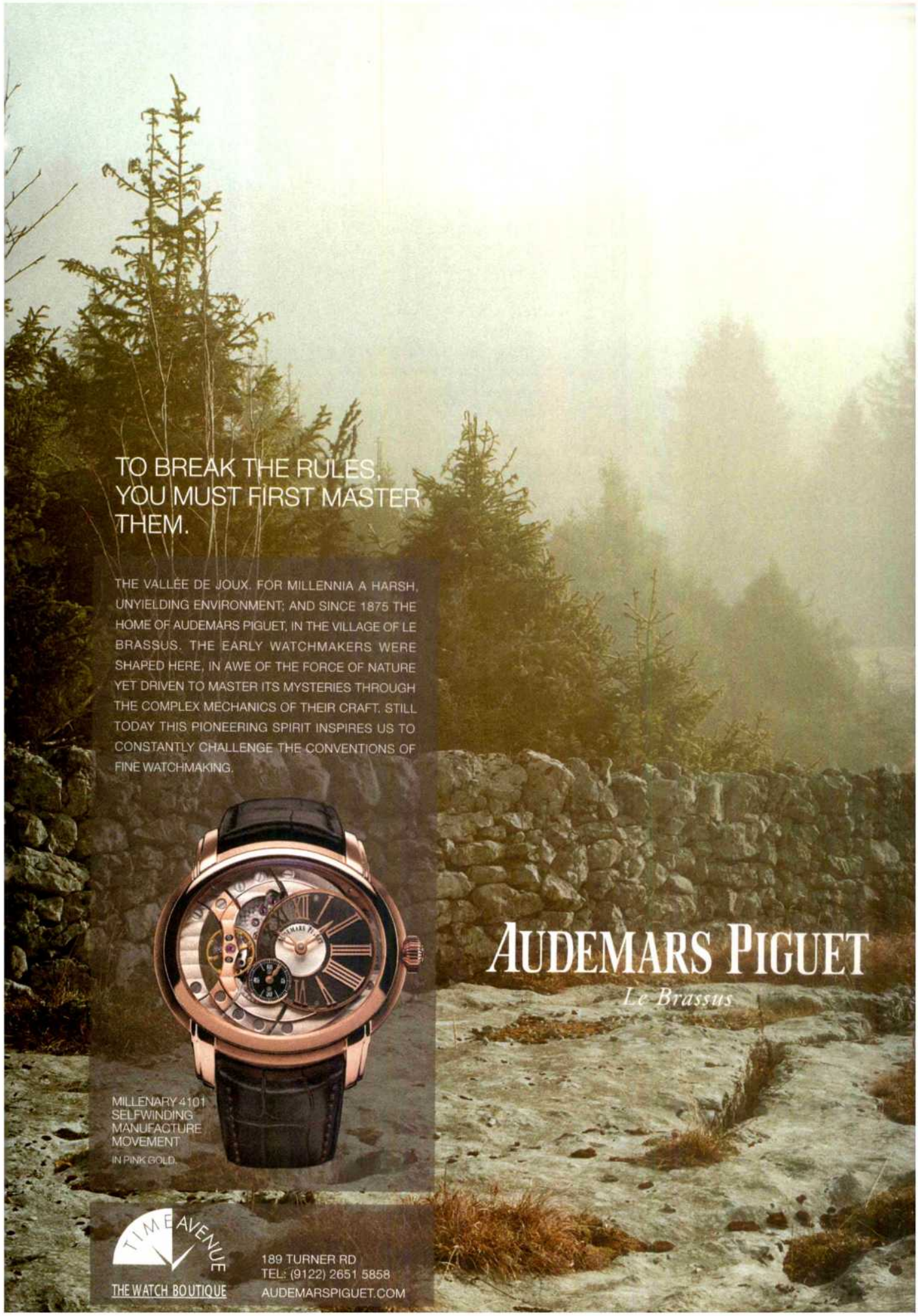
TO BREAK THE RULES, YOU MUST FIRST MASTER THEM.
THE VALLÉE DE JOUX. FOR MILLENNIA A HARSH, UNYIELDING ENVIRONMENT; AND SINCE 1875 THE HOME OF AUDEMARS PIGUET, IN THE VILLAGE OF LE BRASSUS. THE EARLY WATCHMAKERS WERE SHAPED HERE, IN AWE OF THE FORCE OF NATURE YET DRIVEN TO MASTER ITS MYSTERIES THROUGH THE COMPLEX MECHANICS OF THEIR CRAFT. STILL TODAY THIS PIONEERING SPIRIT INSPIRES US TO CONSTANTLY CHALLENGE THE CONVENTIONS OF FINE WATCHMAKING.
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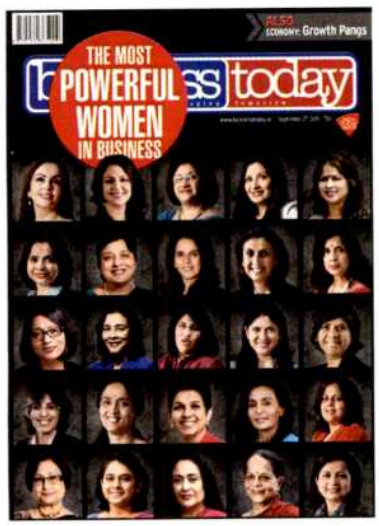


## The All-powerful Businesswomen

This refers to your special issue on *The Most Powerful Women in Business* (September 27, 2015). I believe that India Inc must be congratulated for their effort to tackle the glass ceiling that existed in the country. In this regard, the small-yet-important steps taken by PSUs must also be appreciated. I do believe that the list should have included only self-made leaders, not women who have merely taken over their family enterprise. As opposed to them, others have carved out a niche for themselves without any support system which is an exemplary achievement in this country. I believe that going forward, unless women join India Inc in much larger numbers, our growth story will remain muted and lopsided. Today, we see companies like Flipkart coming out with extremely women-friendly policies. Such steps could have hardly been imagined a decade or so ago. These awards are a testament to the wonder women in India Inc. Yes, there are many challenges ahead too, as the Graphiti (*India's Gender Gap*) showed. Still, I believe that these women are laying a strong foundation for the coming generation.

**Madhavi Shukla**, *New Delhi*

The special issue on India's most powerful women was a brilliant read. It was heartening to read the stories of so many women who made it to the top. Given that even now, despite all these success stories, most offices are still dominated by men, I believe India Inc should work towards more inclusive policies. The government must mandate the companies to have a minimum of 40 per cent of women workforce and companies that hire only women should be given special incentives.

## Chinese Crisis Can Help India

This refers to your story *Tough Ask* (September 27, 2015). The recent fall in Indian markets has been largely attributed to the Chinese crisis (if we can call it so) but I believe that the fall has largely been due to internal, and not external factors. Our manufacturing numbers, along with IIP and exports have remained muted for quite some time now. And little is being done to address these numbers. While Make in India is being enthusiastically promoted, there isn't much happening on ground. Similarly, Digital India and Skilling India continue to remain lofty ideas. It would not be an exaggeration to say that the Indian economy, and its fundamentals, came out largely unscathed during the 2008 recession. However, in 2015 the situation seems grim to say the least but this is an opportunity like no other. In fact, I concur with the writer that the situation in China should be used to bring investments in the country and re-focus on our manufacturing and infrastructure sector. Unless these two sectors are made stronger, every successive growth story will be superficial in nature and vulnerable to the slightest headwinds.

**Mahesh Brijnath**, *Kolkata*

## Refurbished Phones an Untapped Market

This refers to the story on refurbished gadgets (September 27, 2015). I have never understood the craze for absolutely new mobile phones, especially since most of them see prices fall more than 50-60 per cent in a year. In such a scenario, I believe that buying refurbished phones is a great idea, although I am not sure if buying old laptops is a good idea, since they have a ceratin shelf-life.
Refurbished phones were available earlier too, but the fact that they now come with warranty and are backed by companies make them much more credible. A similar trend has been visible in the case of second-hand cars too, with companies launching their own showrooms. Given how consumption patterns are changing, such companies are a great initiative. They allow a much-larger audience to enjoy contemporary technology at relatively affordable prices.

**CN Vasudevan**, *Chennai*

***Send all your comments to:*** editor.bt@intoday.com

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OCTOBER/11/2015
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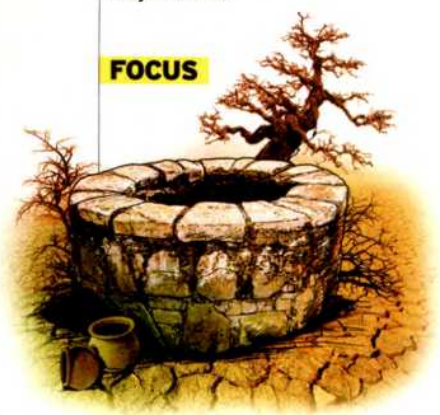

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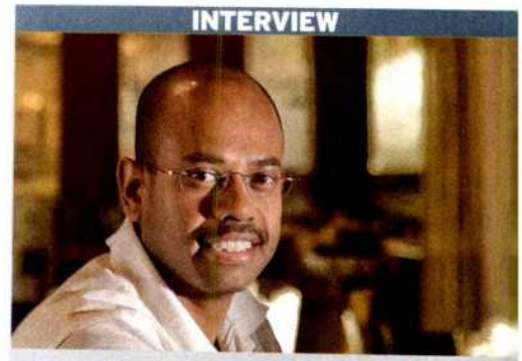

**"Being a pure low-cost carrier sets you on the path of success"**
In a recent interaction with Business Today's **Manu Kaushik**, IndiGo's president Aditya Ghosh discusses the details of the company's operating performance, its network strategy and a host of other issues.
businesstoday.in/indigo-aditya

**NEWS**

**Kerala's Jasmine Revolution**
After a nine-day action-packed agitation, 5,000 women plantation workers-cum-owners of a Tata Group associate company in Kerala had their demands met
businesstoday.in/tata-kerala

**GADGET REVIEW**

**Motorola Moto X Play**
Is the Moto X Play the best smartphone under 20k?
businesstoday.in/gadget-reviews

**BT COLUMN**

**New bankruptcy code: What it promises**
We look at how it will change life for lenders, banking system and also for the economy.
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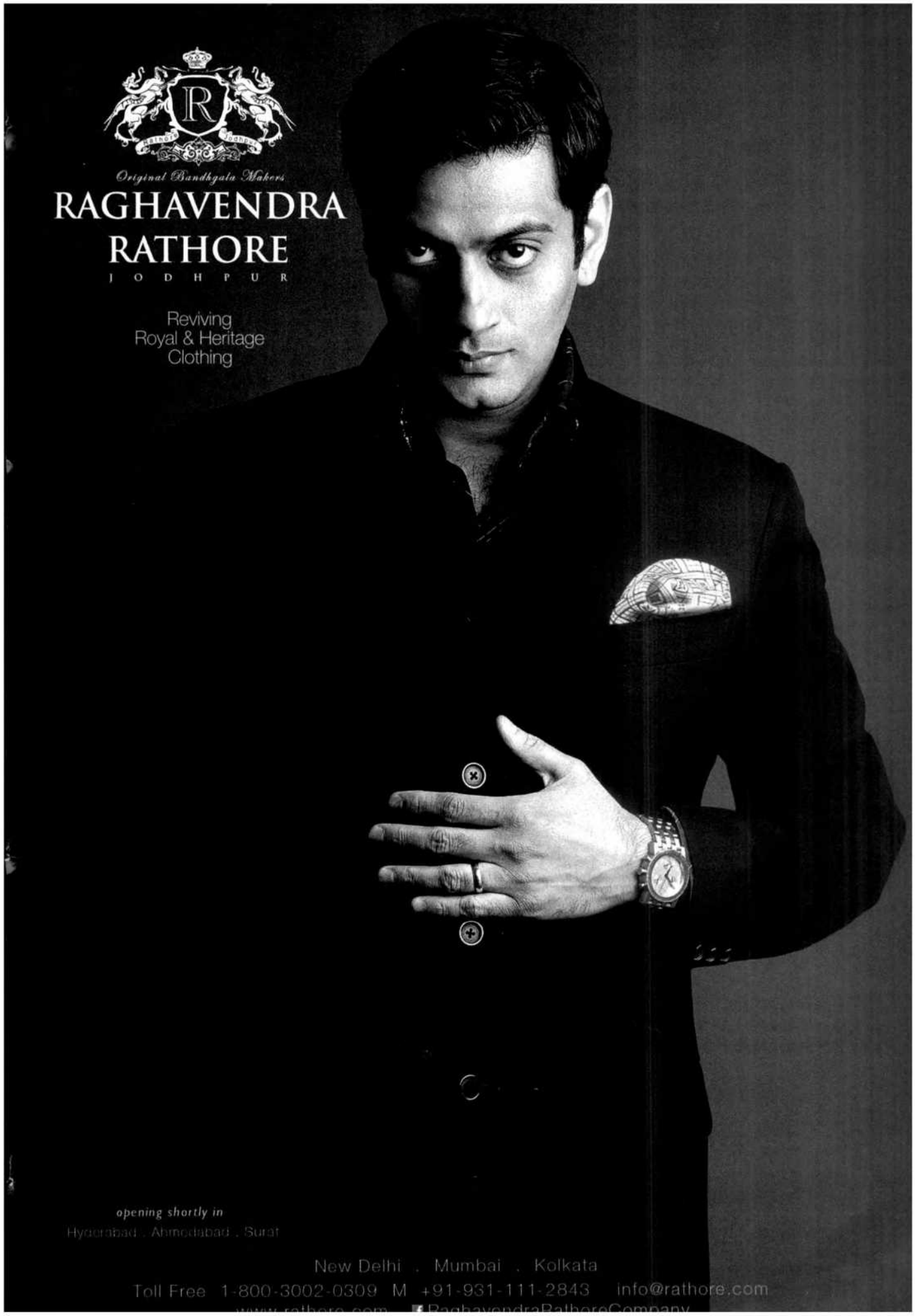
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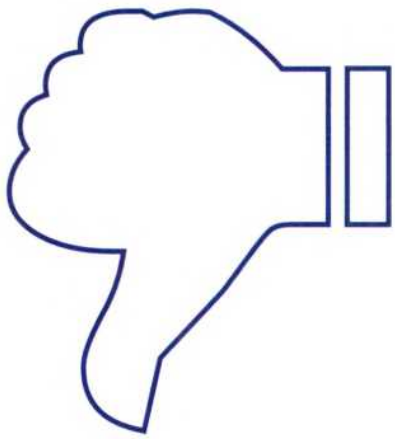

# THUMBS DOWN...

**Facebook going beyond 'like' button, says Zuckerberg. Users have been demanding a Dislike button for a long time as the Like button doesn't suit all comments and status updates.**

## GOING HIGH TO GET HIGH

If you want your single malt to taste even better, you need to go to space – or at least create a zero gravity arena around your drinking table. A study conducted by the single malt distillery Ardbeg concluded that whiskey matured in space has a distinct –and stronger flavour – than that on Terra Firma.

# ₹5,142 crore

The first smart city is yet to be built but the Union Cabinet has approved ₹5,142 crore to develop 300 smart village clusters around the country. The project is named the Shyama Prasad Mukherjee Rurban Mission.

BOSS
Bharat Operating System Solutions

## THE BIG BOSS

The Indian government is developing its own operating system to replace Microsoft Windows. The operating system is to be called Bharat Operating Systems Solutions – aka BOSS. The government says it will be hackproof and will prevent government data from being breached by the kind of digital pirates that attacked the US and China.

## THE HUNGRY EARTH

One in every three people globally suffers from malnutrition. More than 160 million children under the age of five are too short for their age (Stunted), while another 50 million weigh too less for their height (Wasted), according to the Global Nutrition Report by the Think Tank International Food Policy Research Institute.

# THE SECRET INGREDIENT

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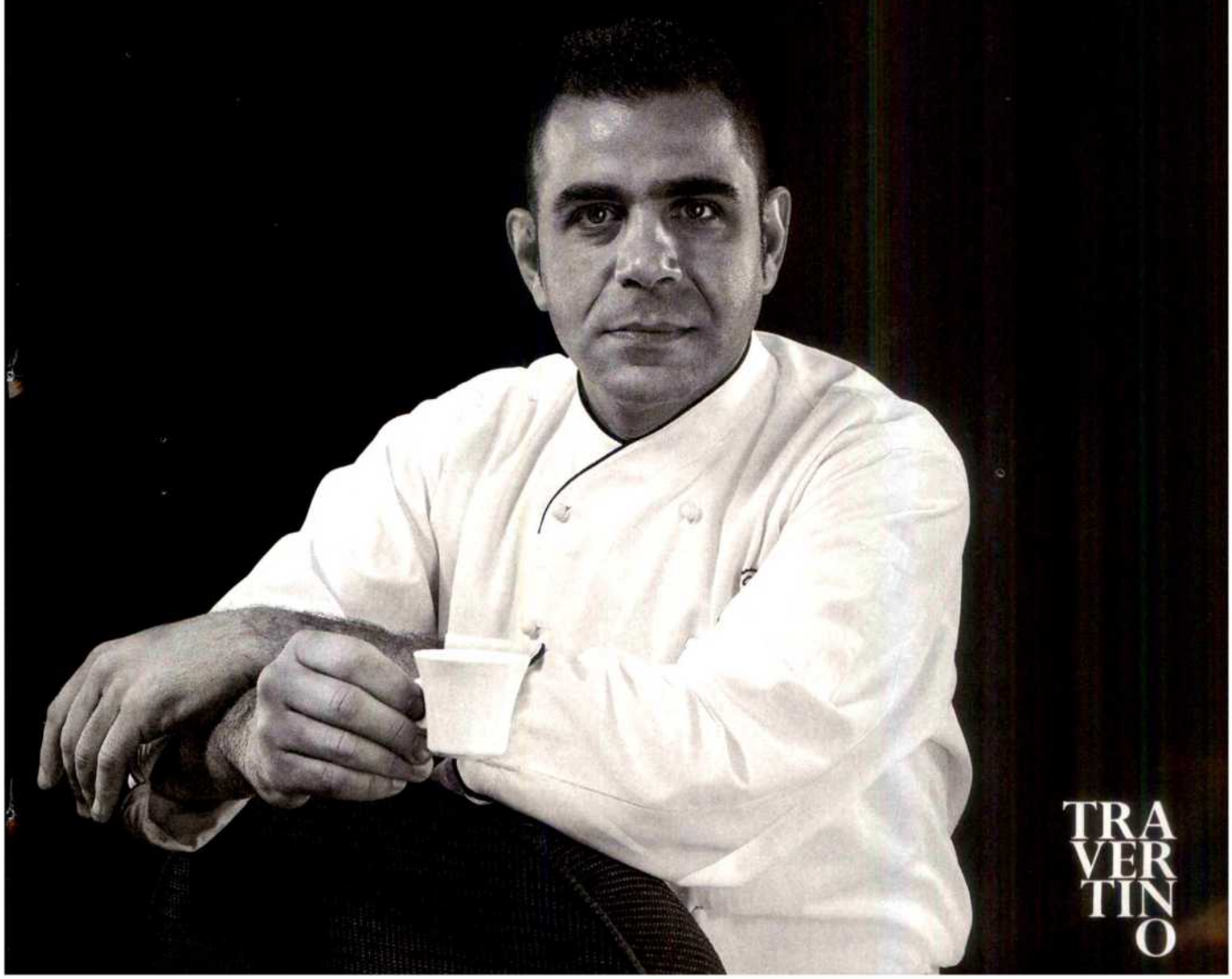

TRAVERTINO

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## THE PM'S SOCIAL NETWORKS

**WHAT:** The Prime Minister will address a Townhall Q&A at Facebook headquarters
**WHEN:** September 27-28

**WHAT TO LOOK FOR:** Apart from meeting Mark Zuckerberg and addressing the Townhall in Facebook headquarters, Modi also plans to meet Tim Cook, Sundar Pichai, and executives at Tesla and Adobe. He is pitching for India to be a startup destination, replicating Silicon Valley. Later, he is also expected to address a gathering of media moghuls, including Rupert Murdoch. All this is part of his US trip, the primary goal of which is to attend the UN General Assembly.

25 - 27

## SUSTAINING THE GLOBE

**WHAT:** 70th Session of the UN General Assembly
**WHEN:** Opening Session - Sustainable Development Summit 2015: 25-27 September; Annual General Debate: 28 September-5 October

**WHAT TO LOOK FOR:** The 70th anniversary session is expected to see the adoption of the post 2015 development agenda, the follow up to the UN's millennium development goals which were set in 2000, and is set to end this year. The new agenda will be on the sustainable development goals, and all member countries are expected to vote on it.

12 - 05

## BATTLE FOR BIHAR

**WHAT:** The Bihar polling dates for the new assembly has been announced
**WHEN:** October 12-November 5

**WHAT TO LOOK FOR:** BJP has allied with Jitan Majhi and Ram Vilas Paswan. CM Nitish Kumar has tied up with old foe Lalu Yadav. Meanwhile, Mulayam Singh Yadav has walked out in a huff from the great Yadav alliance, and has announced plans for his party to fight all seats alone. And to add to the mix, Shiv Sena has also announced that it will put up candidates for the Bihar elections. The BJP seems to have an edge in the opinion polls so far. This is a crucial election because the BJP got a big jolt when they were drubbed in Delhi. If they win Bihar, the momentum will be back.

06

## OVER TO MICROSOFT

**WHAT:** Microsoft has sent out invitations for a major event in New York City
**WHEN:** October 6

Microsoft

**WHAT TO LOOK FOR:** Microsoft is expected to showcase a bunch of new hardware—from brand new Surface tablets to Windows phones—that are built around the new Windows 10 OS. This is a make or break for Microsoft because if they get it wrong, they will forever remain a marginal player in the mobile tablets and devices space. If they get it right, they will have secured the future growth of the Redmond giant.

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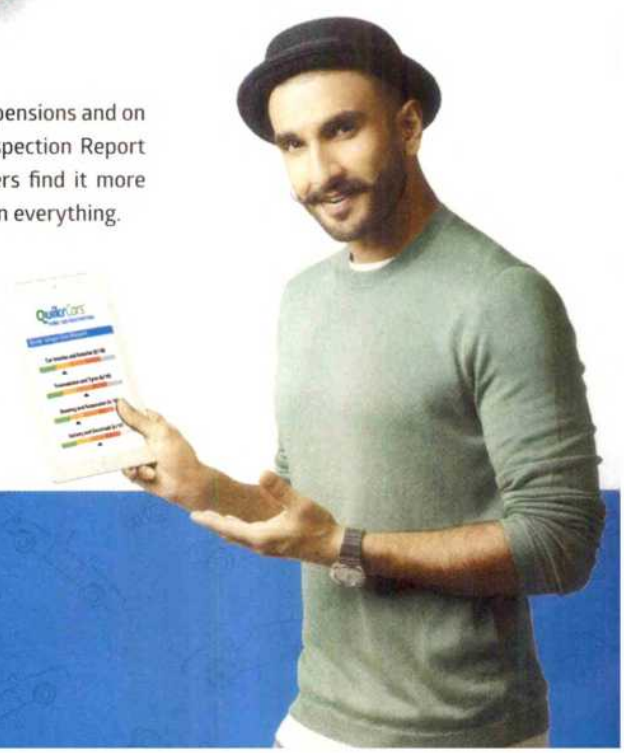

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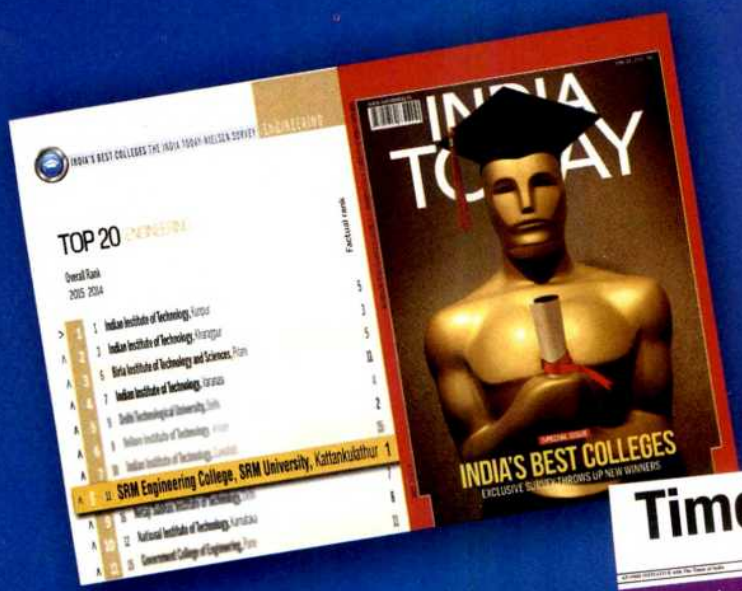


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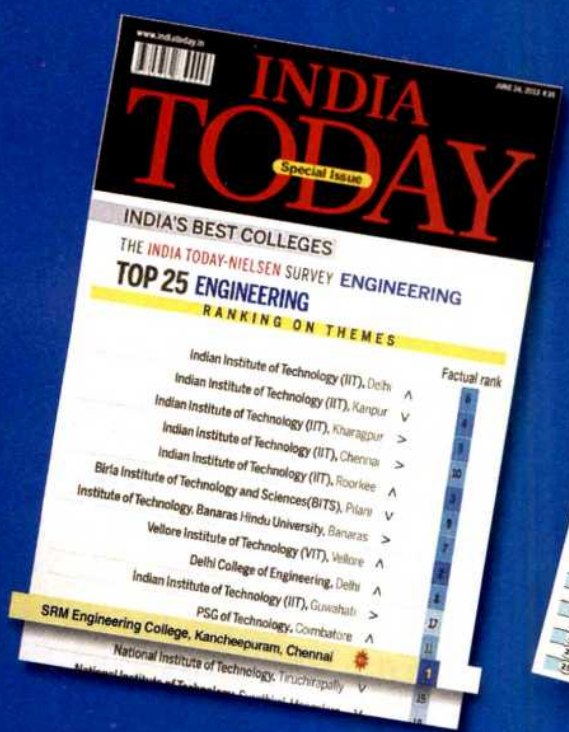


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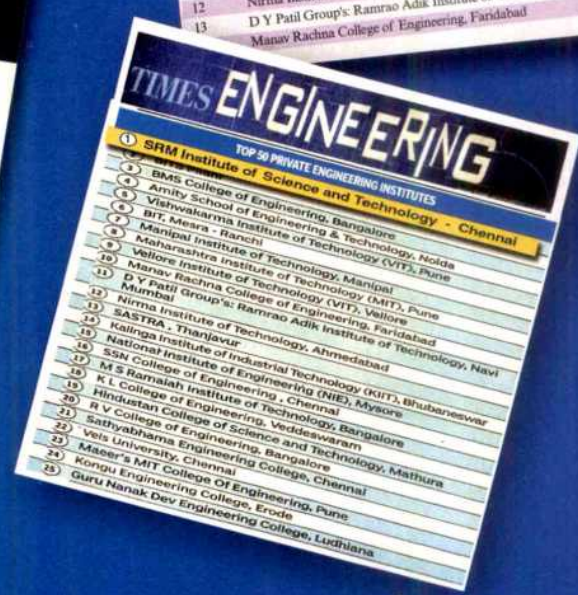


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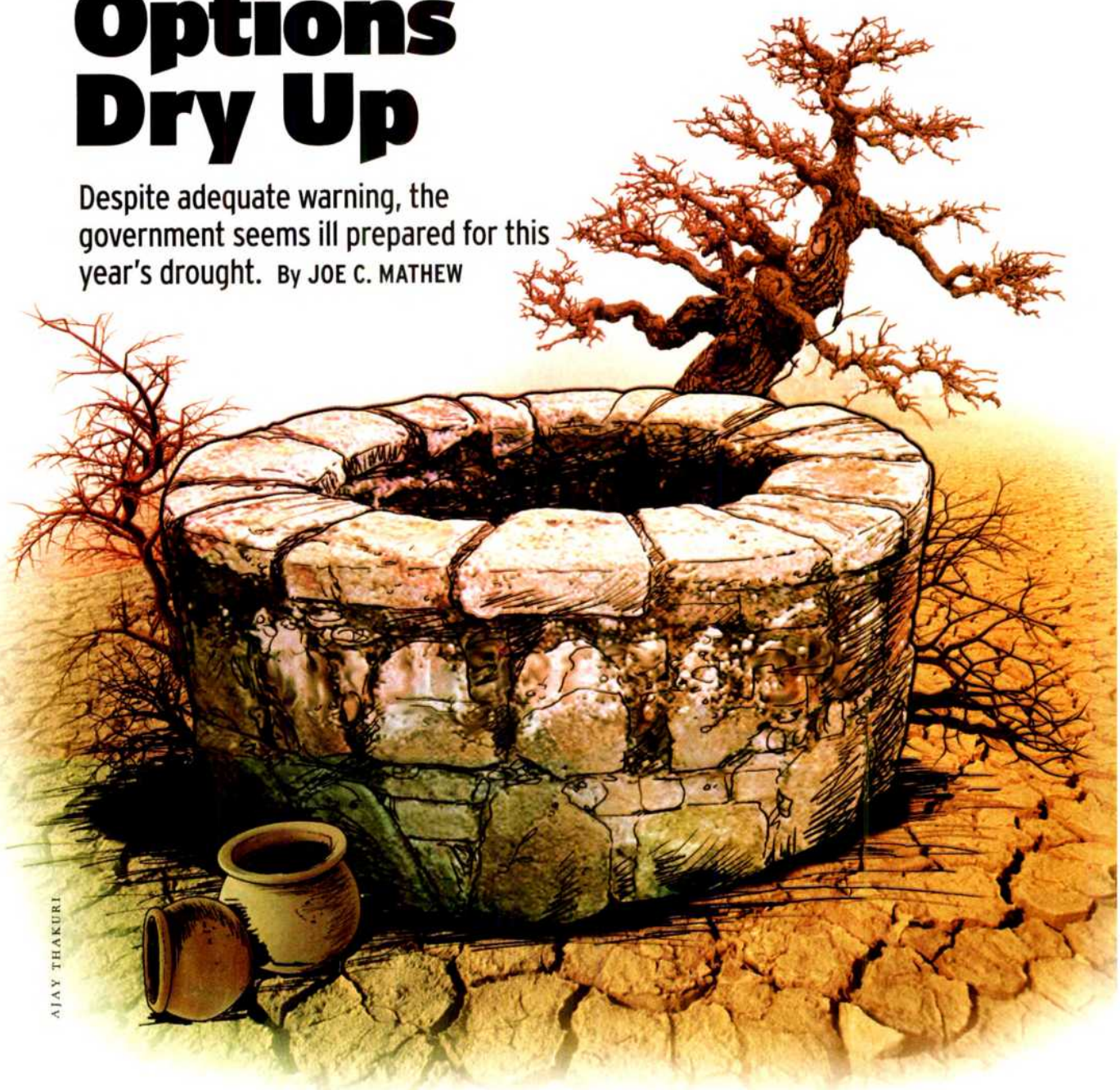
## Options Dry Up

Despite adequate warning, the government seems ill prepared for this year's drought. By JOE C. MATHEW



AJAY THAKURI

As early as April, the Indian Meteorological Department (IMD) had forecast that the weather change phenomenon El Nino would impact this year's monsoon, just as it had done last year's. 2015, like 2014, would be rain deficient. The forecast has proved correct.

While not discounting the El Nino effect, the domestic private weather agency Skymet had challenged the prediction, claiming that while rains would be below normal, they would not recede to the extent the IMD maintained. It cited comparative statistics of a couple of earlier years to buttress its argument. But Skymet too subsequently revised its estimates and hedged its bets.

The distinguishing feature of this year's drought is the extent to which rainfall has varied across states. The IMD's data between June 1 and September 9 this year shows the rainfall has so far been 15 per cent below the long-period average (LPA) in the country, but in East and Northeast India, it has been almost normal. Indeed, there have been floods in parts of Assam. At the same time, large parts of Karnataka, Andhra Pradesh, Telangana and Maharashtra have been hit far more than the average indicates. About 40 per cent of all districts are affected across the country and experts believe the drought may impact at least 10 per cent of the country's agricultural production.

The government has responded by announcing an additional 50 days of man-work in the drought affected areas under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). But the current sense of dismay and surprise in official quarters does raise questions. Given the fair warning the IMD provided, did the central and state governments fail to get their act together? To meet the impending drought effectively, the Centre had brought all the departments relating to sectors that would be affected – agriculture, power, water resources, fertilisers, etc – together to draw up a common mitigation programme. Did the contingency plan fail to tackle the situation?

To minimise the impact of drought, some changes in crop selection should also be considered. Is extensive sugarcane cultivation, which is highly water consuming, a wise choice for a drought-prone state like Maharashtra? Prime Minister Narendra Modi launched a 'soil health card' scheme some months ago to check the degradation of soil from excessive use of fertiliser. There should be a similar effort to match crop with climatic conditions.

Apart from causing farmer distress and agricultural production loss, a drought also affects investor sentiment. As global rating agency Moody's observed in an investor note on August 11, India's vulnerability to drought poses sovereign credit challenges for the country. "The Indian economy's vulnerability to drought stems from the combination of five factors. These are the relatively high share of agriculture in overall employment; weak rural infrastructure and irrigation; inefficient food distribution; the large proportion of Indian household spending that goes towards food; and the share of food subsidy costs in the government's fiscal deficit," it said.

As a result, the note added, drought could lower gross domestic product (GDP) growth, raise inflation and add to fiscal pressures, to a greater extent than countries where these characteristics were absent. Inevitably, India's sovereign credit profile would thus be more susceptible to the drought's effects. Moody's pointed out that India's economic exposure to annual fluctuations in rainfall constrains the ability of its monetary policymakers to respond to ongoing macro-economic developments. This is particularly so in years such as the current one when a weak monsoon forecast coincides with an uncertain cyclical recovery.

The rating agency did take note of the drought management plans the government has been readying. "India's vulnerability to drought could decline over the longer term, as average incomes rise," it said. "But in the near to medium term, policies to improve infrastructure, food distribution, and non-agricultural employment opportunities, hold the key to reducing the annual economic uncertainty that is linked to the performance of the monsoon."

Moody's said that if government efforts were sustained and successful over the next two to three years, they could lower India's vulnerability to drought. They would also benefit India's overall sovereign credit profile, as they would lead to higher incomes, stable and lower inflation and a lower fiscal burden related to food subsidies. ◆

**PATCHY AND INADEQUATE**

**The monsoon has been poor this year, but the extent of deficiency has varied widely. The rainfall scenario from June 1 to September 9 this year.**

| REGION | ACTUAL RAINFALL (MM) | NORMAL RAINFALL (MM) | DEPARTURE FROM LPA* |
|---|---|---|---|
| Entire Country | 661.4 | 775.7 | -15% |
| Northwest India | 459.2 | 550 | -17% |
| Central India | 696.3 | 867 | -20% |
| South Peninsula | 497.6 | 599.9 | -17% |
| East & Northeast India | 1179.8 | 1233.8 | -4% |

*Long Period Average; Source: IMD

@joecmathew

# RBI's Gamble

## The banking platform for MFIs is aimed at achieving financial inclusion but there are challenges ahead. By ANAND ADHIKARI

RACHIT GOSWAMI

**RBI Governor Raghuram Rajan:** Giving more options to those at the botttom of the pyramid

The largest number of aspirants recently for a small finance bank licence were from the jittery microfinance industry (MFI). Indeed, out of the 72 applicants, as many as 17 were MFIs. The Reserve Bank of India (RBI) handed out banking licences to eight – of the 10 allotted – of them.

What explains the RBI's bias towards the MFI industry? Experts suggest that the central bank wanted to kill two birds with one stone. The banking platform will not only discipline the MFI industry – notorious for not being transparent, high interest rates and bad corporate governance – but will also bring those at the bottom of the pyramid under a much transparent system with cheaper funding options. "MFIs have mastered the art of lending to the priority sector while traditional bankers always looked at it as a drag on their profitability. They now have a banking platform to scale up their business," says Abizer Diwanji, National Head (financial services ) at E&Y.

Clearly, the RBI is heavily banking on MFIs for achieving its objective of financial inclusion. Last month, Bandhan Bank, a Kolkata-based MFI, kicked off its universal bank operations. MFIs clearly have an ace up their sleeve – they can access low-cost deposits. Ultimately, the interest rate beneficiaries will be small business units, micro industries, small farmers and self-employed individuals in rural and semi-urban areas.

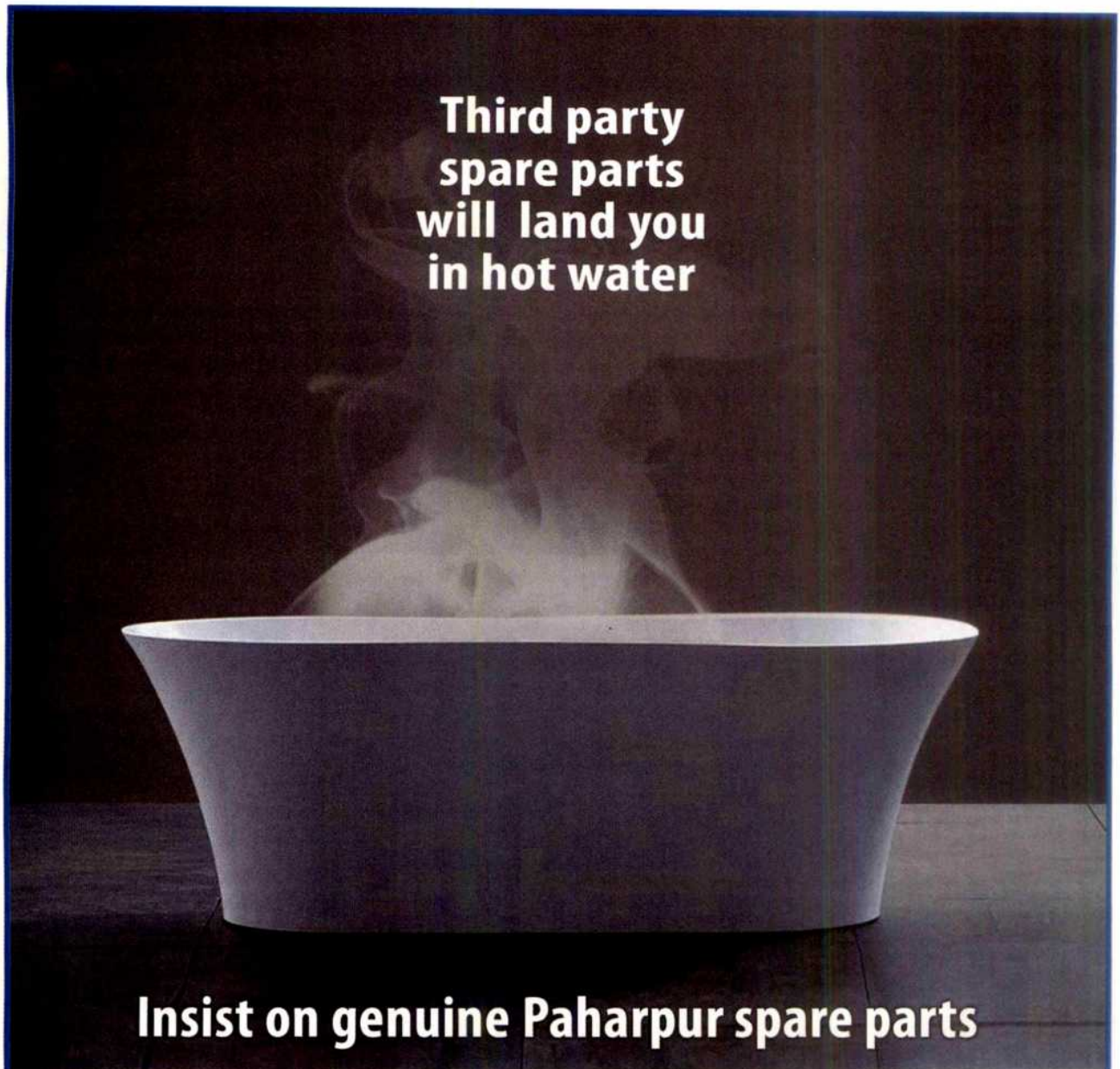
The highly regulated banking platform will also revive confidence in MFIs. As part of the prudential guidelines, these MFI players will have to maintain a minimum cash reserve ratio (CRR), invest a quarter of their deposits in government securities under statutory liquidity ratio (SLR) and also lend 75 per cent of their resources to the priority sector. The priority sector commitment is only 40 per cent for universal banks. "The small finance banks will gradually reduce the burden of traditional banks in the system especially by direct lending to poor," says Diwanji of E&Y.

But there are big challenges ahead. MFIs have a bad past track record– products with no collateral, geographical concentration, cash driven collection and also corporate governance issues. There is also no institutional framework for creating credit history of borrowers. Sceptics say India always had small finance and regional banks serving the poor but the model failed to scale up despite the huge potential. The share of small banks to deposits and advances is less than five per cent of the overall banking system. In addition, all large banks also caters to the poor through priority sector commitments.There are also parallel initiatives like Jan-Dhan Yojana and MUDRA bank, both targeted at the bottom of the pyramid.

Small finance banks, then, are yet another experiment, along with payments banks, with lot of hopes and expectations but they face a daunting task ahead. ◆

**THE HIGHLY REGULATED BANKING PLATFORM WILL ALSO REVIVE CONFIDENCE IN MFIS**

@anandadhikari

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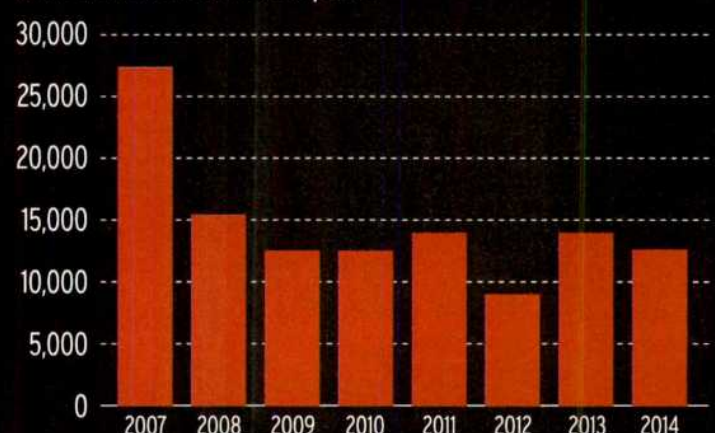
# The **Black Money** Riddle

The government is stepping up vigil to curb the flow of black money but it is an onerous task. This is **largely because illicit money is generated through a raft of sophisticated and complex activities,** making it difficult to unearth.

Graphic by: **Anand Sinha** Research by: **Niti Kiran**

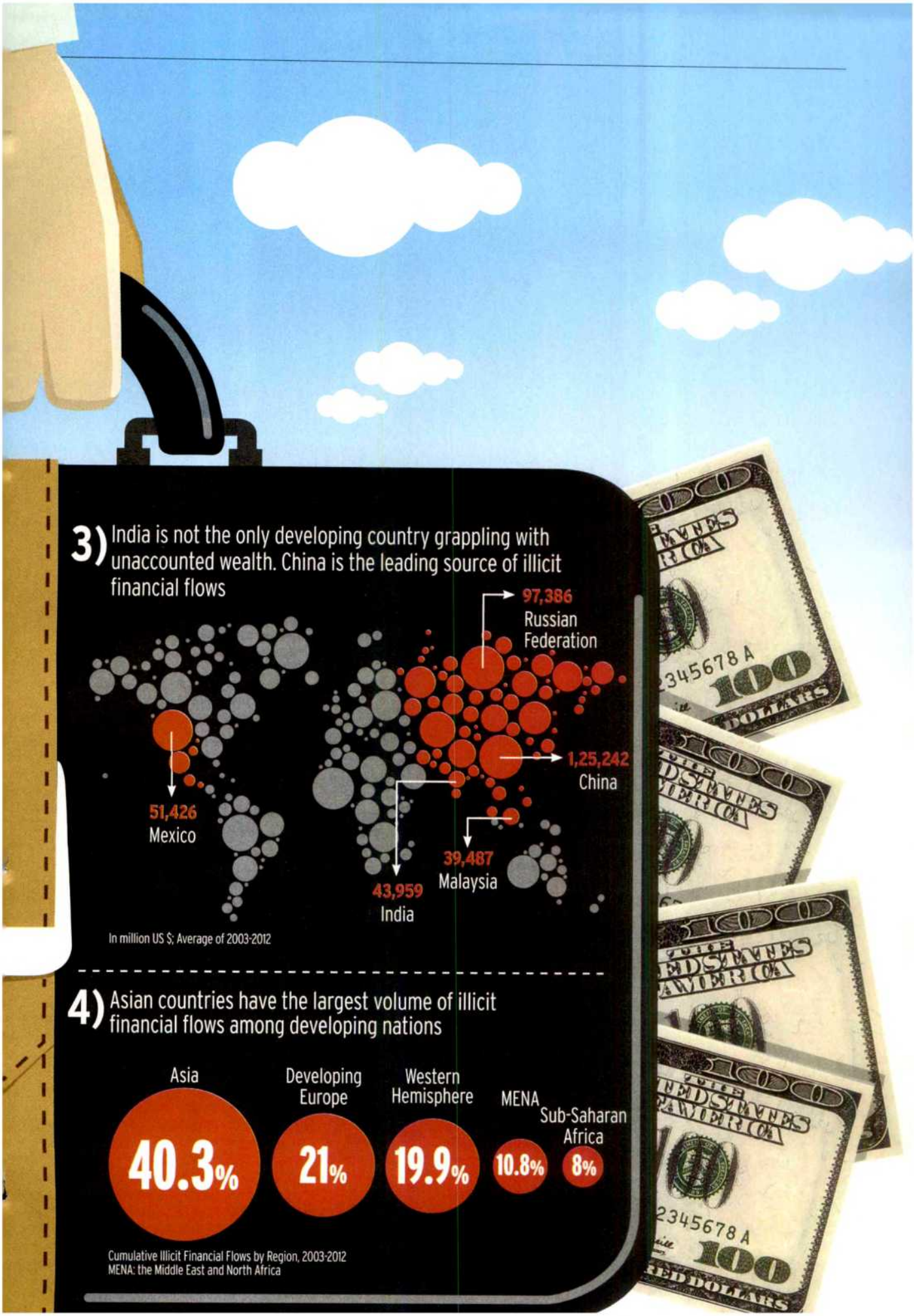
**1)** Swiss banks appear to be no longer the preferred destination for Indians. Money held by them in these banks has more than halved in the last seven years




**2)** The Indian government is going all out to uncover black money. In searches conducted by the Income Tax Department, undisclosed income around

**₹24,450cr**

has been unearthed in last three fiscal years


3) India is not the only developing country grappling with unaccounted wealth. China is the leading source of illicit financial flows
97,386
Russian Federation
1,25,242
China
51,426
Mexico
39,487
Malaysia
43,959
India
In million US $; Average of 2003-2012
4) Asian countries have the largest volume of illicit financial flows among developing nations
Asia
40.3%
Developing Europe
21%
Western Hemisphere
19.9%
MENA
10.8%
Sub-Saharan Africa
8%
Cumulative Illicit Financial Flows by Region, 2003-2012
MENA: the Middle East and North Africa

RAJ VERMA

WHAT'S TRENDING

# Say it with a video

**Dubsmash's $5.5 million funding shows that the Velfie trend is not a fad but something brands need to get on to.**

By **CHITRA NARAYANAN**

Two years ago when Berlin-based start up Dubsmash launched its selfie video making app, it turned out to be a smash viral sensation. The world was entertained by the sight of people lip synching to famous songs and dialogues. But who would have thought the trend would last this long?

Just last fortnight, Dubsmash attracted investment of $5.5 million

SOCIAL TOON

from a group of tech investors. It may not be an eyepopping figure but the fact that funders include Chris Sacca, the venture capitalist who backed Facebook, Instagram and Uber and Riccardo Zacconi, the head of King Digital which makes Candy Crush Saga shows that video selfies are becoming serious business. Already smart brands have got into Dubsmashing. Recall how Kingfisher got people to oo la la la le e o using the platform.

The company says Dubsmash has grabbed number one spot on Apple's app store in 78 countries. Roland Grenke, co founder of Dubsmash, has said that the funding will be used to transform the app into a "meatier communication platform".

Even as the still photo selfie fad is as strong as ever, video is undoubtedly the next big thing. In 2014, over 59 million Indian internet users accessed online video content. In the US, eMarketer estimates that digital video ad spending will increase 41.9 per cent this year touching $5.96 billion.

Rammohan Sundaram, cofounder of Velfie, an Indian selfie video app, a bit like Dubsmash, that launched early this year feels the genre has immense potential. "From the day of launch we have had a brand association. And in the last five months since launch, we have had 10-plus brands and artistes doing exclusive launches on our platform. Unilever (Liril) is live right now," he says. Sundaram however differentiates his app from Dubsmash. "We are not just a "dubbing" platform," he clarifies. Velfie has a Pause feature which can make Vine-like stop motion videos, he says. In the pipeline are features like Hyperlapse, Slomo, Timeline, he adds, to make the velfie experience better.

Contrary to perception, Sundaram says that it's not just the youth taking velfies. "Our users range from a 3 year old kid to a 55 year old woman, from Coimbatore to Cuttack," he says. The upcoming 4G launches will only help our cause in India, he feels. Of course, there are some issues to be resolved - for instance, analysts have warned that Dubsmash could possibly run into copyright issues as music studios whose labels are used by lip-synchers might protest. But, clearly, it's a space worth watching. ◆

*@ndcnn*

AJAY THAKURI

LISTENING POST

## Klout Spread

If you are not doing video, it's time to start now! Online influence measurement platform Klout is adding YouTube data to an individual's Klout Score. This takes up the total number of networks incorporated in the Klout Score, which tracks an individual's impact on social channels, to nine. Sunil Rajasekar, CTO of Lithium Technologies which acquired Klout last year said, "With the addition of YouTube to the Klout score we can now offer consumers even more accurate and a more comprehensive map of the social web." Lithium claims that Klout System contains more than 700 million social profiles. As brands jostle for an influencer's eye, this is as good a place as any to start looking.

## Insta Pull

The already fragmented digital platform has got split further with Instagram opening up its network for advertisers in India. "Instagram advertising will be made available to any advertiser, large or small, in India from this month," announced Kirthiga Reddy, Managing Director, Facebook India adding that users would see ads from Gillette, Kit Kat, Paper Boat and TRESemme on their feed to start with. Instagram will leverage Facebook's ad management technology to offer a suite of features to advertisers. But India is late to the Instagram ad party: the network first unveiled its ads product in November 2013, and has been slowly extending it to more countries since.

# BATTLE FOR BIHAR

## BT does a reality check of the claims and counter claims in the fight between the JD(U) and the BJP for voter mind space ahead of elections.

By ANILESH S. MAHAJAN

The room in Rajnish Kumar's house at Bhambhai village in Bihar's Arwal district can barely fit a sofa, a double bed and a refrigerator. As you lounge on the sofa, the 35-year-old school teacher picks up a bottle from the refrigerator and pours water into a steel glass. He then enquires if we need ice too. This is routine hospitality, but for Rajnish and his family, a proud moment too. After years of struggle, their village was connected with the electric grid in July this year. Cold water and ice are luxuries they can enjoy now.

In the adjacent room, partitioned with a curtain, his seven-year-old son, Vaibhav Raj, is studying. "I feel relieved when I see him study under a light, unlike me, who had to study under a lantern," he says. Rajnish then points towards the iron-grilled window and says, "Now we can also run a desert cooler and sleep comfortably in summers. If we continue to get electricity like this, the fate of the next generation will change," he says, adding that 50 other households in his village also get electricity now.

'Electricity for all' has been Chief Minister Nitish

AJAY THAKURI

## OFFERS & COUNTER OFFERS

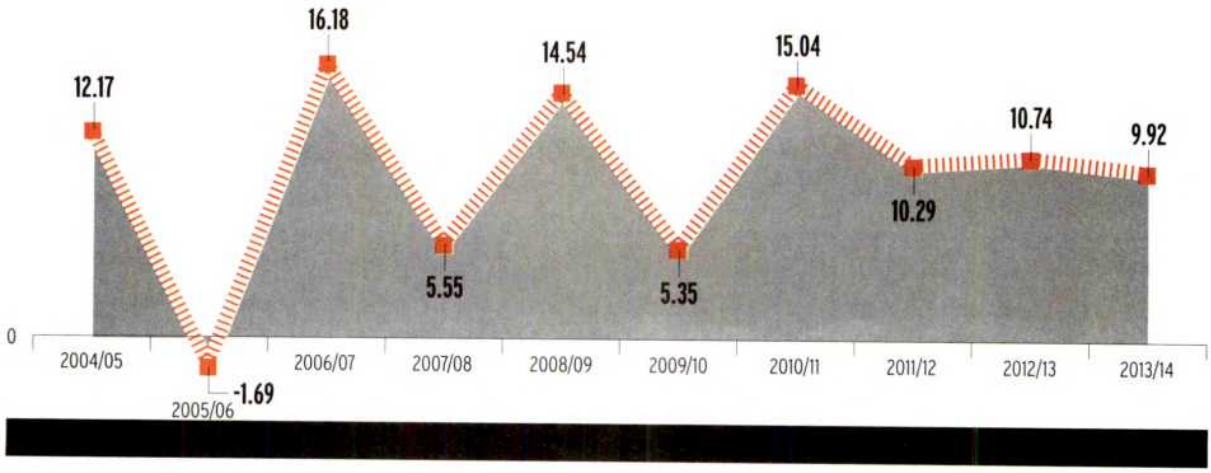
### BJP'S PROMISES

- ₹1.65 lakh crore for development of Bihar. This includes a special package of ₹1.25 lakh crore
- Plus, ₹40,000 crore for various ongoing projects in the state
- 24-hour electricity supply, gas pipelines and more LPG connections
- More funds for small businesses, housing for all
- Focus on industrialisation with help from the private sector

### JD(U)'S PROMISES

- Special emphasis on youth who are jobless or need funds for education
- Has announced an allowance of ₹1,000 each to those in the 20-25 age bracket who are jobless
- Education loans up to ₹4 lakh at an interest rate of three per cent for Class XII passouts
- Venture capital fund of ₹500 crore for the young
- Has allocated ₹55,600 crore for 24-hour electricity in the next two years
- All houses in rural and urban areas to be connected with drinking water pipelines in next five years

## **Road to Growth:** Bihar's GSDP has grown rapidly under Nitish Kumar




At Constant Prices (2004-05); Source: Economic Survey of Bihar

Kumar's poll plank since his 2013 Independence Day speech. And this is what he is hoping will click with voters as he seeks a fresh mandate in Assembly elections starting October 10. In the 2005 elections, Nitish-led JD(U) and its allies, including the Bharatiya Janata Party (BJP), had won on the promise of improving the state's law and order. In the 2010 elections, he promised a road to every village. This time, the focus is on electricity. The reason is simple. Bhambhai is one of the 9,769 villages in the state that are partially electrified (another 26,373 have full access). Close to 2,000 have no access to electricity.

Nitish's opponent and one-time ally, BJP, however, is out to spoil the party. In his election rallies, Nitish cites examples such as Bhambhai as his achievements. But in the BJP's rallies, Prime Minister Narendra Modi and party chief Amit Shah highlight the other side of the coin — only 1.2 crore out of Bihar's two crore households have access to electricity despite 10 years of Nitish. Modi has promised 24x7 power by 2019.

**90%**
**people in the state use wood, cow dung or kerosene for cooking and more than half live in houses with thatched roofs**

As Bihar gets set to vote in a new government in an election seen as a make-or-break for both Nitish and Modi, a war of words has broken out between the main rivals — the JD(U) and its allies and the BJP camp — as they counter every election promise being made by the other side with vigour.

Take Modi's announcement of projects worth ₹1.65 lakh crore. These include pipeline infrastructure, new railway lines, food processing units, power plants and a railway engine unit. The BJP is also promising 24x7 electricity, a gas pipeline network, more LPG connections, higher funding from Mundra Bank for small businesses, master plans for cities, housing for all and, above all, improvement in law & order. The party reckons that in a state where around 90 per cent people use wood, cow dung or kerosene for cooking and more than half live in houses with thatched roofs, these promises are sure to resonate with the masses.

In response, Nitish has called these schemes old wine in new bottles. Instead, he has offered a wider road network, more electricity connections and reforms in the business environment. Above all, he is promising to keep fighting for a special status to Bihar.

But look at the irony. When he first came to power in 2005, his poll plank was development. Now, after nearly 10 years of rule, he is not just fighting anti-incumbency but is also on the defensive as his former ally, the BJP, hijacks his raison d'être. Also, this time, he is fighting along with his enemy-turned-friend, Lalu Prasad Yadav, and the Congress. His allies are seen more as his weakness than strength. In this barrage of allegations and offers and counter offers, how do you separate the wheat from the chaff?

### GROUND REALITIES

Nitish Kumar is on the defensive on most social and infrastructure parameters, except one — roads. And he

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## **Sizing Up:** How Bihar's economy has done in relation to other comparable states

| Debt-to-GSDP | 2005/06 (RE) | 2014/15 (BE) |
|---|---|---|
| Bihar | 84.1 | 24.3 |
| Madhya Pradesh | 41.4 | 20.9 |
| Rajasthan | 55.1 | 24.9 |
| Uttar Pradesh | 57.2 | 30.1 |
| West Bengal | 49.7 | 35 |

RE: Revised Estimates; BE: Budget estimates; in per cent

| Literacy Rates | 2011 |
|---|---|
| Bihar | 61.8 |
| Madhya Pradesh | 69.3 |
| Rajasthan | 66.1 |
| Uttar Pradesh | 67.7 |
| West Bengal | 76.3 |

Figures in per cent

| Growth of Per Capita Net State Domestic Product | 2005/06 | 2013/14 |
|---|---|---|
| Bihar | 5.7 | 16.2 |
| Chhattisgarh | 10.3 | 12.1 |
| Jharkhand | 0.6 | 16.2 |
| Madhya Pradesh | 9.7 | 21.9 |
| Rajasthan | 11.3 | 11.8 |
| Uttar Pradesh | 12 | 13.8 |
| West Bengal | 10.4 | 14.1 |

Percentage change over previous year; at current prices (2004-05 series)

| Access to Safe Drinking Water in Households | 2011 |
|---|---|
| Bihar | 94.7 |
| Madhya Pradesh | 92.1 |
| Rajasthan | 94.3 |
| Uttar Pradesh | 97.9 |
| West Bengal | 93.9 |

Figures in per cent

| Infant mortality rate | 2006 | 2013 |
|---|---|---|
| Bihar | 60 | 42 |
| Madhya Pradesh | 74 | 54 |
| Rajasthan | 67 | 47 |
| Uttar Pradesh | 71 | 50 |
| West Bengal | 38 | 31 |

(Per 1,000 live births)

| Poverty Headcount | 2011/12 |
|---|---|
| Bihar | 33.7 |
| Madhya Pradesh | 31.7 |
| Rajasthan | 14.7 |
| Uttar Pradesh | 29.4 |
| West Bengal | 20 |

Tendulkar methodology; Figures in per cent; Source: RBI, Economic Survey

is banking heavily on his image as a 'doer' on this front. In 2010, when access to roads was his poll plank, the alliance led by him swept the elections. After winning, he brought in his key man, Prataya Amrit, as road secretary. Today, every town and village in the state is connected by roads. Now, the state is looking for support from the Centre for connecting habitats with up to 250 people as well. In 2005, Bihar had 3,232 km in state highways. Today, the number is 4,400 km.

A top bureaucrat, who has worked closely with the chief minister, pointed to the state's map at his office, showing that most roads in the state connect east and west. "We are working with the centre and other states' agencies to connect the Nepal border at Raxaul to Paradip port in Odisha," he says assertively.

But many believe that the network is still not good enough. The state requires a web of another 5,000 km in state highways, ring roads and bypasses around major cities and towns. "The cost of moving goods in Bihar is 150 per cent more than in any other state, largely because of the condition of state highways," says the CEO of an FMCG company.

Meanwhile, Nitish is promising a transformation in the power situation as well. Hoping for an encore, he has appointed Amrit as his energy secretary.

In power — which is emerging as the biggest issue in these elections — Bihar's consumption is just 203 KWH per person as against the national average of 1,010 KWH. Nitish says this is because Bihar started late. In 2005, the state's per capita power consumption was only 70 units and more than two-third of the state had no access to power. The state-owned installed capacity is merely 70 MW and distribution companies buy roughly 3,000 MW from either the Centre's pool or the spot market. The state reported a 19 per cent peak deficit in the last financial year. Both distribution companies in the state are bleeding with a consolidated debt of ₹177 crore. This means limited capacity to buy additional electricity. As a result, there is no city, town or village with 24-hour power supply. Although Bihar has signed an MoU with the power ministry for providing electricity to every household by 2018, it will not be easy.

Bihar was the last state to carry out power reforms, in 2013, a decade after others started. "Bihar needs to reform various practices in its transmission and distribution system," says Amrit. "I am not that worried about generation, as NTPC is coming up with new capacities in the state, from where Bihar will get a lion's share.

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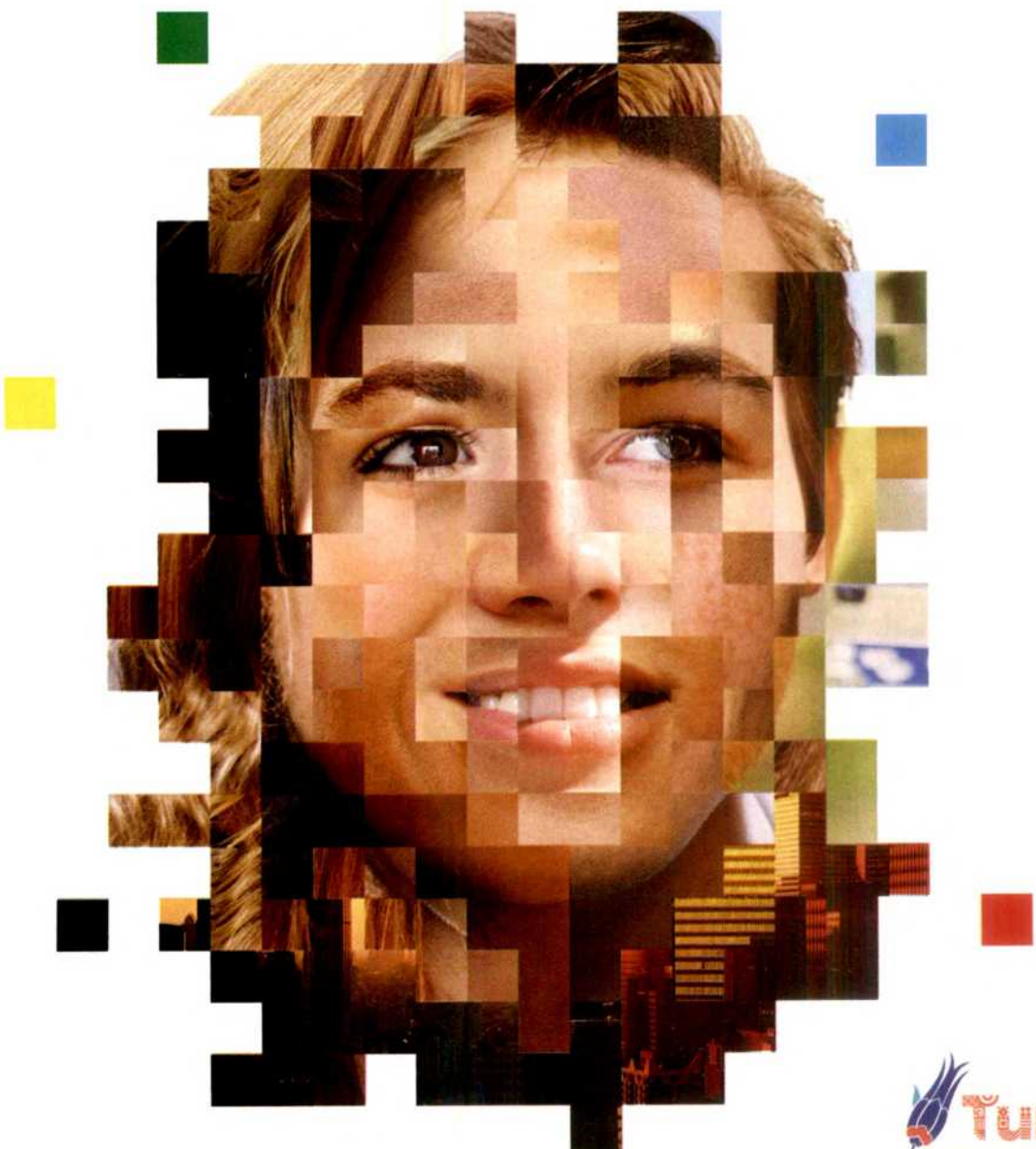

2015 Turkey G20

TURKISH AIRLINES

## **Empty Promises:** Only a fraction of the proposed investments have fructified

| Sectors | No. of approvals | Proposed Investment (₹ crore) | Invested Capital (₹ crore) |
|---|---|---|---|
| **Sugar Mills** | | | |
| (a) New Sugar Mills | 13 | 2923.1 | **806.5** |
| (b) Expansion of existing Sugar Mills | 10 | 997.5 | **525.4** |
| (c) New Ethanol Plants by existing Sugar Mills | 3 | 151.1 | **55.3** |
| Power Plants | 114 | 2,46,696 | **2,225.8** |
| Food Processing | 1238 | 11,669.2 | **2,527.2** |
| Steel Processing & Cement | 103 | 11347.2 | **781. 5** |
| Technical Institution (Engineering, Management Colleges, etc.) | 54 | 746.4 | **28.0** |
| Medical Institution (Medical Colleges & Hospitals) | 17 | 1,827.12 | **40.56** |
| Others | 488 | 10,349.64 | **564.56** |
| Total | 2,040 | 2,86,707 | 7,554.81 |

Data up to April 2015; Source: State Investment Promotion Board

## **Social Change:** Expenditure on social sectors has been rising over the years

| | Education, Sports, Arts & Culture | Health and Family Welfare | Water Supply, Sanitation, Housing and Urban Development |
|---|---|---|---|
| 2004/05 | 3,160 | 629 | 321 |
| 2005/06 | 4,423 | 1,015 | 532 |
| 2006/07 | 5,359 | 1,153 | 766 |
| 2007/08 | 5,553 | 1,387 | 1,052 |
| 2008/09 | 6,882 | 1,291 | 1,600 |
| 2009/10 | 7,416 | 1,388 | 1,438 |
| 2010/11 | 8,101 | 1,502 | 1,698 |
| 2011/12 | 10,157 | 1,804 | 1,713 |
| 2012/13 | 14,080 | 1,836 | 2,304 |
| 2013/14 | 14344 | 2,113 | 2,967 |
| 2014/15 (BE) | 23,989 | 4,085 | 6,499 |

Figures in ₹crore; Source: Economic Survey of Bihar

Moreover, other states like Madhya Pradesh and Chhattisgarh are becoming power surplus. There is also solar capacity. We will be able to buy enough. The challenge is transmission and distribution reforms," he says.

### RETURN OF THE NATIVE?

Even if Nitish can convince voters about his ability to deliver on power, as he did in roads, it's the social indicators where he has the most to answer.

In the 2010 polls, Nitish's claim of having improved Bihar's human development indices and roads paved the way for his alliance's sweeping victory. But today, the equation is substantially different.

In the past, Nitish's development model has got a pat from Nobel laureate Amartya Sen, who argues that growth is not independent of social transformation. In fact, the latter makes the workforce healthier and alleviates poverty. A report of the Rangarajan panel states that Bihar saw the steepest fall in poverty, from 63.9 per cent to 41.3 per cent, between 2009/10 and 2011/12. Around 21 million people were brought above the poverty line during the period. At the national level, poverty fell from 38.2 per cent to 29.5 per cent during the period.

But these figures do not give the complete picture. A huge chunk of population continues to depend on agriculture, which is increasingly becoming less remunerative. Widespread landlessness, pegged at nearly 70 per cent in villages, has created boroughs of poverty and underemployment. According to the 2011 census report, Bihar's population density is 1,100 people per sq km, the highest in the country, and average land holding is half an acre.

Education is still a drag. The literacy rate is 62 per cent compared to 73 per cent nationally. The literacy level of girls, a mere 52 per cent, is the lowest in the country. There has been some improvement in numbers recently. If we look at the current student numbers, they are not too far behind the national average. There are 8.18 million girls in schools compared to 8.28 million boys.

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But the state lags behind on other social indicators. In the state, 34 children out of 1,000 die as infants, while 219 mothers out of 1,000 die while giving birth; these numbers are much above the national averages of 28 and 178, respectively. Close to 40 per cent of those who survive are underweight by five and almost 90 per cent are anaemic. In the labour ministry's data published in 2014, out of 1,000 people in urban Bihar, 74 are looking for jobs. In rural areas, the number is 20 (largely due to MNREGA and Centre and state-sponsored infrastructure projects). The national averages are 34 and 16, respectively. The worst state on this parameter is Kerala, where the figures are 72 for urban areas and 75 for rural areas.

**"Time has come for Bihar to take the benefit of Make in India and Skill India campaigns with help from the Centre."**

**SUSHIL MODI,** Former Deputy Chief Minister

For all its strengths and weaknesses, Nitish's development model is being challenged by his friends-turned-opponents, who are offering an alternative — industrialisation.

Over the years, Bihar has fared poorly on this front. Only 17 per cent of the state's gross value of output comes from industry compared to nearly 29 per cent nationally. In 2013, industry body Assocham's study found that most of Bihar's growth stimulus came from public spending while Modi-led Gujarat was going for private investment.

Bihar's economic growth over the last few years has largely been a result of public spending on roads and bridges. In one decade, the capital outlay swelled from ₹1,205 crore in 2004/05 to ₹21,151 crore in 2014/15. During the same period, Madhya Pradesh's capital outlay rose from ₹4,951 crore to ₹18,027 crore. However, the state also got private investment in roads, power and other basic amenities. Both states were part of the erstwhile category of BIMARU states, a group of underperforming states, and started economic reforms simultaneously.

The duo of Nitish and BJP's Sushil Modi — who served as the state's finance minister before the parties split — also improved the state's earnings. Revenue receipts rose from ₹15,714 crore in 2004/05 to ₹1,01,940 crore in 2014/15. During this period, Madhya Pradesh increased its revenue collections from ₹17,251 crore to ₹1,03,493 crore. Bihar's economy seems to have grown at a faster pace than the country's. But then, the base from where it started was much smaller. The per capita income of the state is one-fifth the national average.

But Nitish reminds that one must look at where Bihar was 10 years ago.

However, there is a limit to spurring growth through public spending. Bihar's public debt is 26 per cent of gross state domestic product, or GSDP, though it has halved in the last decade. In terms of value, it stands at ₹ 75,416 crore. And the major contributor to revenue receipts is liquor, roughly 2 per cent of the GSDP. Following this (public spending) philosophy, Nitish

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*Relationship beyond banking*

is pushing for a special status for Bihar under which the Centre foregoes its share of taxes and promotes industrialisation. Also, the state's contribution to centrally-sponsored scheme becomes marginal. But this proposal has few takers in New Delhi.

Abhijit Sen, former member of the Planning Commission who has worked closely with the Bihar government, sees merit in the idea. JD(U) leader Pavan Varma says, "If a state can reduce the cost of manufacturing for any player, obviously he would come. The special status will allow this." BJP leader N.K. Singh disagrees. He says things have moved ahead and the state will have to become more competitive to attract investments. Here, the BJP is promising industrial hubs and private investment in areas such as power. "Time has come for Bihar to take the benefit of 'Make in India' and 'Skill India' campaigns as well as other development projects with help from the Union government," says Sushil Modi.

**"The history of caste politics destroyed the state's business environment. There are opportunities to showcase good governance"**

**RITURAJ SINHA,** COO, Security and Intelligence Services Ltd

"The history of caste politics spoiled the state's business environment. If India is young, Bihar is younger. The median age in the state is 20, significantly lower than the national average of 27. There are opportunities not only to showcase good governance but also to develop businesses," says Rituraj Sinha, COO, Security and Intelligence Services Ltd, the country's leading security and cash management company.

N.K. Singh says the bigger problem is that Bihar is sitting on huge undeployed funds. "The closing cash holding, which was ₹3,900 crore at the end of March 2014/15, is now over ₹7,303 crore, five times the permissible ways and means limit. It is significantly higher than the figure in most comparable states. This means that Bihar needs to significantly improve its implementation capability," he says.

Even among its peers, the state is falling way behind. Among the erstwhile BIMARU states, Madhya Pradesh and Rajasthan have moved ahead by pushing industrialisation. As per the recent World Bank report on ease of doing business, Madhya Pradesh is among the top five states. Even Uttar Pradesh and Rajasthan are in the top 10 list; Bihar is at 21. "Investors seek confidence in the government which can deliver reforms at a rapid speed. This can be assured only by a national party like ours," says Sushil Modi.

In July-end, the state government began work on improving its rank with the Department of Industries signing an MoU with the Confederation of Indian Industry and Lee Kuan Yew School for Public Policy, Singapore. It will prepare a vision document for ease of doing business in the state.

## THE GREAT PROMISE OF BIHAR

A recent research report by economist Nitin Desai suggests that the bulk of India's demographic dividend till 2050 will be in Jharkhand, Bihar, UP and Rajasthan. UP, Bihar and

West Bengal are home to one-third of India's population. "If you have to do business in the east, you will have to be in Bihar," says Harsh Sharma, President, Baidyanath Group, a manufacturer of ayurvedic medicines. He is setting up a ₹10 crore plant in Hajipur from where he is looking to export to Nepal. "We wanted to set up a unit in Nepal but recently Maoists there bombed a unit of one of our competitor. Roads connecting Nepal are fine for moving products," he says. He is one of the biggest investors the Nitish government has managed to attract in the last one decade. "But to attract more private players, one would require hand-holding and ensuring confidence in the state government," says S.P. Singh, CEO, Kalyanpur Cements.

But whoever forms the government at the end of November will have to continue the reform agenda. Awesh Jain of Ruchi Soya, one of the biggest investors in the state, wants more hand-holding by state agencies, especially in land acquisition. Six years ago, when Ruchi Soya decided to invest in Bihar and sent Jain to scout for land, he identified a parcel on NH-II near Sasaram, en route the dedicated freight corridor. "Our challenges started from there. We required roughly 80 acres. The state asked us to deal directly with farmers. For this, we had to deal with roughly 70 farmers and pay five times the market value of the land," he says.

**203 KWH**

**This is Bihar's per capita consumption of power. The national average is 1,010 KWH**

Interestingly, in the battle for one-upmanship, the JD(U) has been opposing amendments to the land acquisition law that will make it easier for companies to acquire land. "Today, the state government is finding it difficult to find land for expanding or shifting the airport. The decision to oppose the land Bill was political, but today it is not possible to get land for infrastructure," says a senior bureaucrat in Patna.

The private sector, though, continues to be wary that a hung assembly may be a big setback to reforms. BT, for this story, spoke to 42 businessmen from the state, across sectors, who roughly backed Sushil Modi's claims that in the 30 months since the split between the JD(U) and the BJP, reforms in the state have lost steam.

In November, when voting machines open, here's hoping that people of the state are the real winners. ◆

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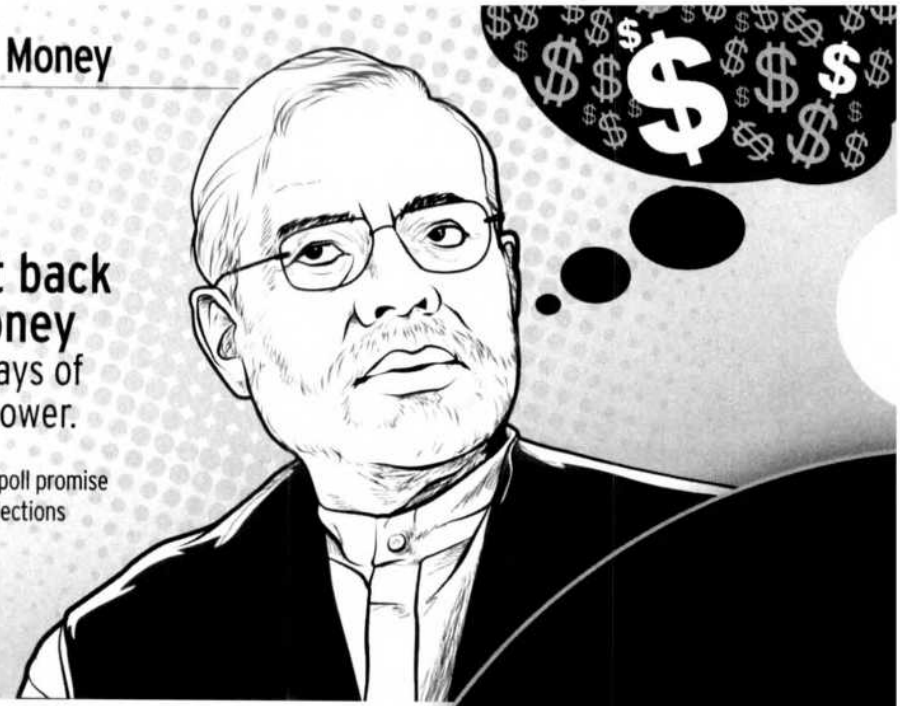


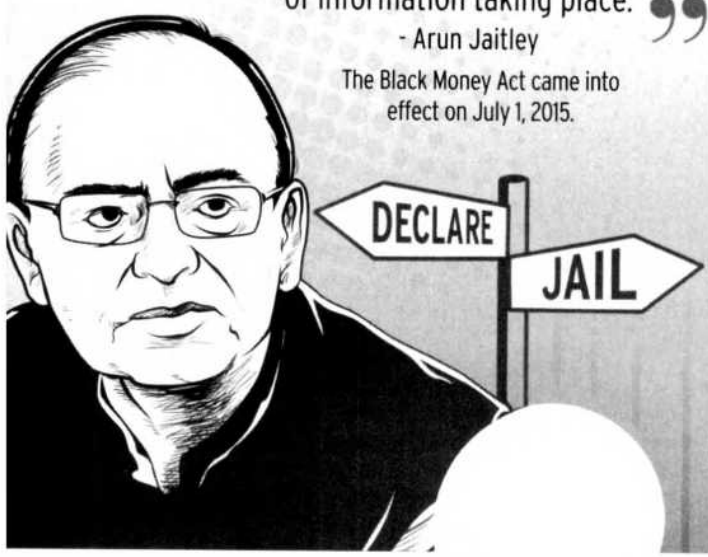
**We will get back black money** within 100 days of coming to power.

Narendra Modi's big poll promise ahead of 2014 elections

**If you don't use this compliance window now, time will run out** because by 2017 there will be a real time automatic disclosure of information taking place.

- Arun Jaitley

The Black Money Act came into effect on July 1, 2015.




# WHITE BLACK GREY

On August 15 Narendra Modi announced that people have come forward and declared their undisclosed income amounting to ₹6,500 crore

# Your complete guide to understanding the black money puzzle...

BY ANILESH S. MAHAJAN AND DIPAK MONDAL

Life has come full circle for Sukhwinder Gill (name changed). In 2012, he took voluntary retirement from a California-based public transport company, CalTrans, after working there for more than a decade as a civil engineer. On his return to India, he led a comfortable life in a Punjab village and funded his son's post graduation studies at San Jose, University of California, from the monthly pension he received from his erstwhile US employer and the income generated from farm output.

With the promulgation of the new The Black Money (Undisclosed Foreign Income and

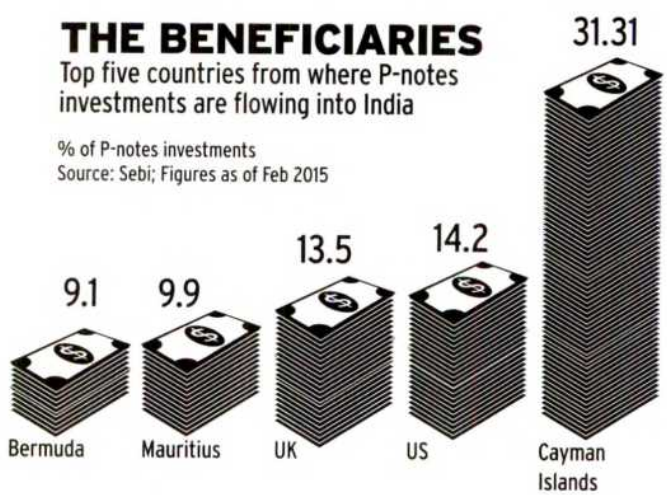
ILLUSTRATION BY AJAY TAKURI

## ANYBODY'S GUESS

Various global and domestic agencies have come up with their own estimates on black money

## THE BENEFICIARIES

Top five countries from where P-notes investments are flowing into India




Assets) and Imposition of Tax Act, 2015 – Gill now finds himself in a quandary. His lawyers have told him that the pension (after paying taxes in the US) he gets is 'black money' under the Act. Gill will not only have to disclose the pension amount he has received since his return to India, but will also have to pay 60 per cent tax on the entire amount (30 per cent tax plus 30 per cent penalty). "I don't have that much money. I may have to ask my relatives for a loan," he says. Gill is now running from pillar to post to get his legitimate income exempted under the double-taxation treaty.

The new Act has a provision for up to 10 years imprisonment for non-disclosure. It gives every foreign asset holder a 90-day compliance window ending September 30, 2015, to declare undisclosed assets, and pay 60 per cent as tax and penalty to escape a jail term. The deadline for paying the tax-plus-penalty amount is December 31.

On August 15 this year, Prime Minister Narendra Modi had announced from the ramparts of the Red Fort that the Centre had already received disclosures of ₹6,500 crore (nearly $1 billion) under the black money law. What he didn't mention, however, was that the North Block has been flooded with applications from people like Gill seeking clarifications.

Even though the finance ministry has issued two clarifications, confusion prevails over what the exact definition of 'black money' is under the new law, and who will need to disclose it. For instance, should the expatriates and entrepreneurs, who had ventured overseas during the global meltdown and had bought some entity, be required to make disclosures?

In 2009, a four-member task force was set up by L.K. Advani-led BJP had also talked about targeting the "ill-gotten" money stashed abroad, but had made it clear that expats and smaller players should not be taken to task. The panel included the incumbent National Security Advisor Ajit Doval, Lawyer Mahesh Jethmalani, RSS leader S. Gurumurthy and IIM Hyderabad Professor R.

## TIMELINE: THE STORY SO FAR

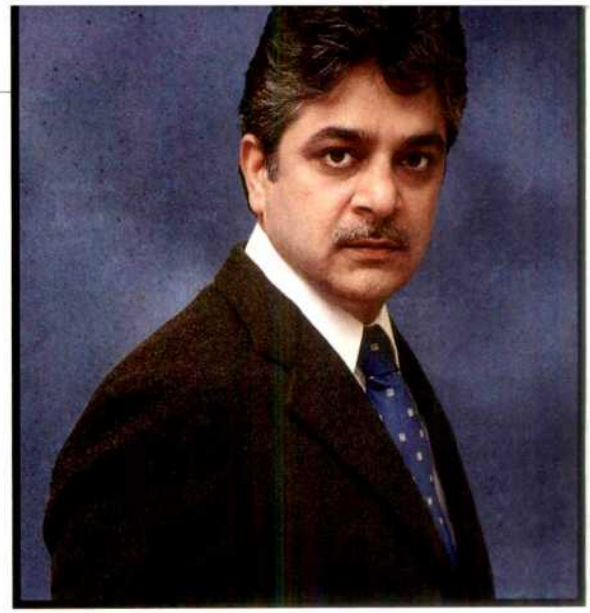
**March 2009:** India is able to obtain information from Germany regarding Indian taxpayers having accounts with LGT Bank in Liechtenstein

**April 2009:** Senior Lawyer Ram Jethmalani files PIL in SC seeking a direction to the government for taking action to bring back money stashed in foreign banks

**June 2010:** India meets the strict evaluation norms of the Financial Action Task Force and is granted its full-fledged membership

Vaidyanathan. Bringing black money stashed abroad has been one of BJP's top war cries since 2009. In fact, in the last general elections, Modi had made an impulsive announcement that he would bring back black money within 100 days of coming to power. Later, party president Amit Shah termed it a political *jumla* (idiom), which should not be taken literally.

There are many estimates of the amount of black money stashed abroad. They vary from 10 per cent of India's GDP ($100-150 billion) to up to 100 per cent of GDP. India's premier investigating agency, CBI, however, pegs it at $500 billion, while US think tank Global Financial Integrity puts the number at $440 billion. India's forex reserves, on the other hand, are $350 billion.



**Mukesh Butani**/ Managing Partner/ BMR Legal

**"The Department of Revenue has done a fantastic job in terms of issuing regular FAQs dealing with questions raised by stakeholders to ensure the Act's success"**

To realise the desired result, the BJP-led NDA government has also entered into several bilateral and multilateral agreements with several countries to get information about Indian account holders in their banks. But can the Indian government bring back this money?

### Too Hard to Crack

The common criticism against the Black Money Act is that it is too harsh. It has provisions for stringent punishments, which some fear may lead to another era of Inspector Raj. Various tax experts, including a former CBDT chairman, say that the government should have encouraged people to disclose more, rather than use an iron fist. "They should have lowered the tax rate or penalty," he says. But officials at the finance ministry say that the best incentive they could offer is that no criminal case would be initiated if they disclose their assets within the given timeframe. The Act has provision for seven years imprisonment if one fails to furnish details of foreign assets. The punishment could go up to 10 years if the taxman proves that the assessee kept it under wraps deliberately. Technically, the Act also provides powers to the taxman to open any case even beyond the 16-year cap that the Income Tax Act had provided earlier.

"This may lead to a lot of unnecessary litigation," quips a corporate lawyer. Meanwhile, pointing out the anomalies of the new law, Kishan Malhotra, head of tax practices, Shardul Amarchand Mangaldas, says: "If the third generation has inherited about some foreign assets, obviously they would have no clue about where their grandparents got the money from to buy the assets. The problem is that the onus is on you to prove that the money used to buy the asset was accounted money or not. In most cases, the third generation would end up paying tax and penalty, or face imprisonment." A recent explanation from CBDT issued on September 3 clarifies this point to some extent, but not entirely. In cases where bank state-

**October 2010:** India signed its first Tax Information Exchange Agreement (TIEA) with Bermuda

**June 2011:** Centre forms a committee headed by former CBDT Chairman M.C. Joshi to probe black money

**July 2011:** The Apex court orders the appointment of a special investigating team (SIT) headed by former SC judge B.P. Jeevan Reddy to monitor black money investigations

**August 2011:** France hands over list of 782 Indian citizens who allegedly hold HSBC accounts in Geneva

continued

ments are not available, the assessee can disclose the asset at the best-estimate basis. But there is a rider: if tax authorities believe this was done with a malafide intent, he could be asked to pay a 120 per cent penalty. "The declarations made on a best-estimate basis can easily tantamount to misrepresentation, and can be declared as void-ab-initio," says Rakesh Nangia, founding partner at Nangia and Company, a Delhi-based chartered accountancy firm.

Similarly, Chennai-based lawyer, Divakar Vijayasarathy, cofounder, online consultancy MeetUrPro.com, says things will get more complicated if one has invested through his foreign account (which was earlier not disclosed), and obviously the investment might have appreciated or depreciated. "It would be a cumbersome exercise, in terms of declaring such accounts and making a fair assessment," he says.

A young entrepreneur from Kolkata, Aditya Gupta (name changed), is facing a unique problem. "I moved back from the US in 2012. I was starting a small venture, and my father-in-law (from San Francisco) was supporting me and my wife by depositing small amounts in my US account. My lawyer friends have told me that I need to declare this as well under the black money law," he says. Sanjay Sanghvi, a prominent corporate lawyer, says: "In your foreign account there could be some debit entries, and they may be genuine transactions. There are chances that the tax department may want to probe those transactions. And this is what is holding people back," he says.

However, officials in the finance ministry say that once people come up with their disclosures, instructions are issued to assess the cases and help those who have genuine cases. But this can only be corroborated once the taxman starts issuing demand letters. History, however, is against the taxmen.

"That the ministry had to issue detailed clarification twice during the disclosure window is a good evidence of how badly this law is drafted," says Kuldeep Kumar, Leader, PwC India. To understand the execution of this Act, BT spoke to at least 35 corporate lawyers and chartered accountants across the country. They say that despite the clarifications, gaps still need to be filled. "One of my clients is ready to disclose his foreign assets, but his other partners are reluctant. This is holding him back," says a Mumbai-based corporate lawyer. The provisions of the new law exempt you from wealth tax, FEMA prosecution, companies act, customs act and income tax. "But there would always be a chance that actions may be found in violation of some other law or provisions of respective regulators," says Malhotra. "You have to evaluate the risk. If it is more risky to disclose than to look for ways to channelise the money, obviously one would opt for the latter," a top corporate honcho told BT. He said that this is a decision one will have to take on an individual basis.

Former revenue secretary Shaktikanta Das justifies a tough law for black money. According to him, the law provides adequate safeguards to ensure smooth implementation. Officials at the finance ministry are keeping all disclosures secret, including the amount. According to one estimate, nearly $4 billion may have been disclosed till September 15. In comparison, under the vol-

## IN A NUTSHELL

- A tax of 30 per cent will be levied on all undisclosed foreign income and assets of the previous year commencing from April 1, 2016
- In case of non-disclosure of foreign assets and income, the assessee would have to pay 120 per cent of the value of the assets and income
- Failure to furnish returns of foreign income and assets would attract a penalty of ₹10 lakh
- In case of wilful evasion, the assessee can face imprisonment of three to 10 years in addition to the fine. False filing of return would attract imprisonment of anywhere between six months and seven years
- The Act would not be applicable on those who have assets of not more than ₹5 lakh in foreign countries
- It provides a one-time disclosure window till September 30, 2015. Any amount disclosed under the scheme would attract a tax of 60 per cent

Source: The Black Money (Undisclosed Foreign Income and Assets) Imposition of Tax Act, 2015

**Jan 2012:** India signs the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, and becomes the first country outside the OECD and Europe to join it

**April 2012:** CBI estimates **$500 billion** (nearly ₹25.8 lakh crore) of illegal money stashed by Indians in tax havens

**May 2012:** The Government of India publishes a white paper on black money. It disclose India's effort at addressing black money issues and guidelines to prevent black money in the future

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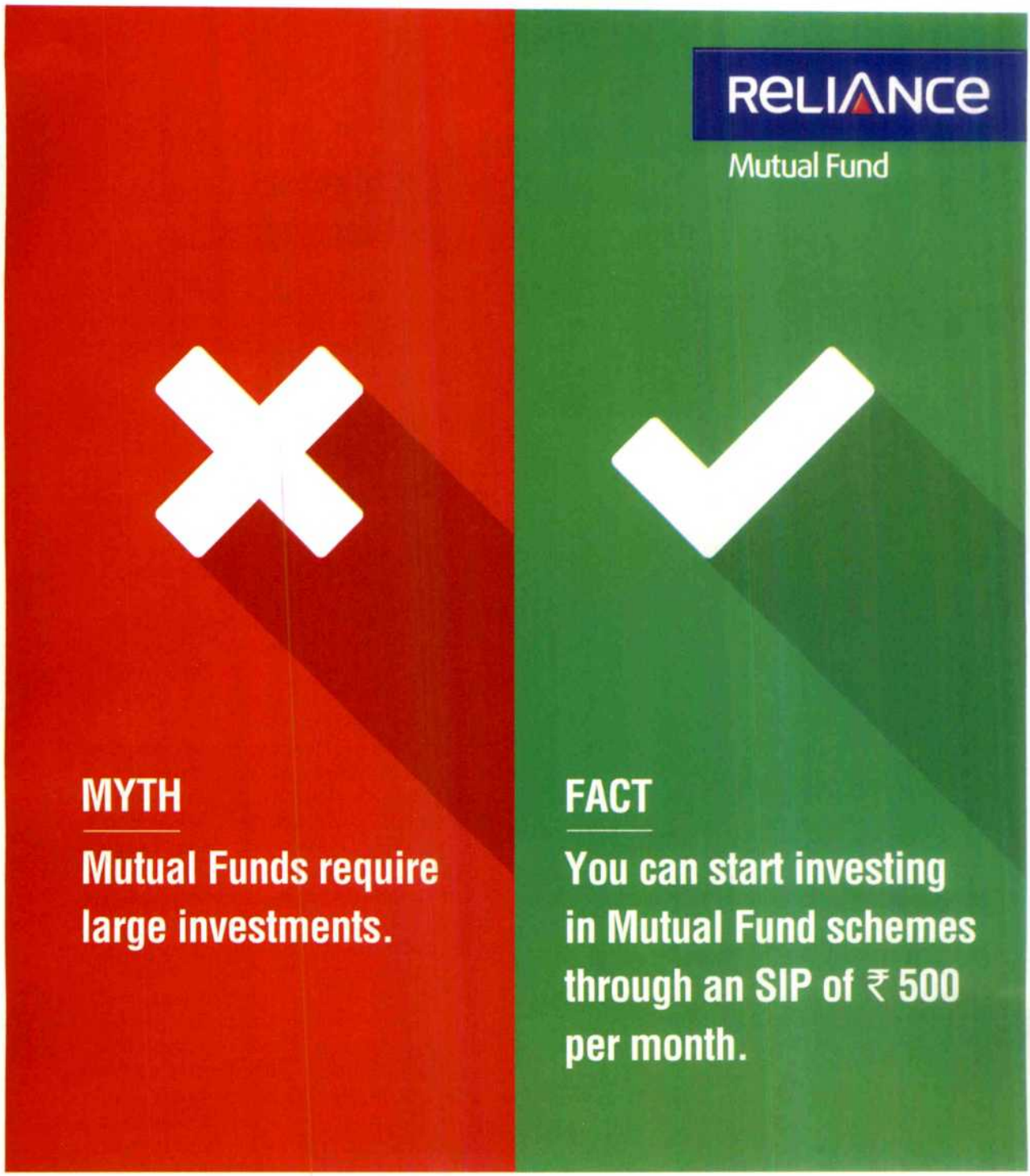


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**Krishan Malhotra,** Head of Taxation, Shardul Amarchand Mangaldas & Co.

## "The deadline of disclosure is very short. The FAQs are still coming. So, within 15 days you have got to get the details of your bank accounts and assets, and get them valued"

untary disclosure scheme of 1997, disclosures worth ₹33,000 crore were made and ₹10,000 crore was collected as tax. "They (critics) forget that even under the various amnesty schemes thus far, evaders disclosed only at the eleventh hour because they expected last-minute softening of stand from the government," says another former revenue secretary.

The Indian black money law is broadly based on the 2010 US law, Foreign Account Tax Compliance Act, or FATCA. Under the law, US nationals were required to declare their foreign incomes and assets. The critics of this law claim that in the last four years many US citizens chose to forfeit their nationality, and many feel that the new law may also force the HNIs or expats to give up Indian citizenship to settle for a more liberal tax regime.

In fact, industry lobby group FICCI pointed out that this could be a major discrepancy. "How will an evader be tried if he chooses to leave India permanently," asks a top businessman. At best, the law will force him to avoid returning to India. Former UPA minister and Congress leader, Manish Tewari claims that roughly 80,000 individuals might have already become NRIs in the past six months to circumvent this law. *Business Today* could not independently corroborate the data.

### War at foreign fronts

In November 2014, when G20 leaders met at Brisbane, Australia, Modi had made a strong pitch for repatriation of black money and standardisation in sharing information for tax purposes during the plenary session. The 94 member countries had agreed to sort out the norms, start gathering data from January 2016 and, subsequently, share the data from 2017.

But does India have the necessary infrastructure to deal with the flow of information? What if the member countries are not willing to share the information citing data security and violation of secrecy laws? India may want to tax perpetrators, but for some of the G20 countries, tax havens are a source of income. India already has signed Tax Information Exchange Agreement, or TIEA, with 17 tax havens since 2011, but tax authorities struggle to get information from them. "We have started our exercise to study these aspects of all member countries. The report would be available by mid next year. This would help the countries while decision making," says Monica Bhatia, head, Global Forum Secretariat, at OECD's Centre for Tax Policy and Administration.

But there is a catch. Information via automatic route would be available on a common platform, but countries will be able to see data accounts of only their nationals. Under such restrictions, it would be very difficult to decode the information. This is a good enough escape route for the big fish. One of India's top bankers told BT that most of the information which is coming from banks in Europe is very difficult to interpret. "They will have to amend and, in many cases, redraft their KYC norms," he says, adding that the present information in many cases only has names and

**May 2014:** NDA government sets up a high-powered special investigative team headed by retired Supreme Court (SC) judge M.B. Shah to look into the issue of black money and slush funds

**October 2014:** Centre discloses the names of those who have deposited money in banks abroad to SC, jeopardising the tax agreements with nations providing the names

**December 2014:** The Global Financial Integrity's latest report says cumulative illicit money moving out of the country over a 10-year period from 2003 to 2012 was $439.59 billion, or ₹28 lakh crore

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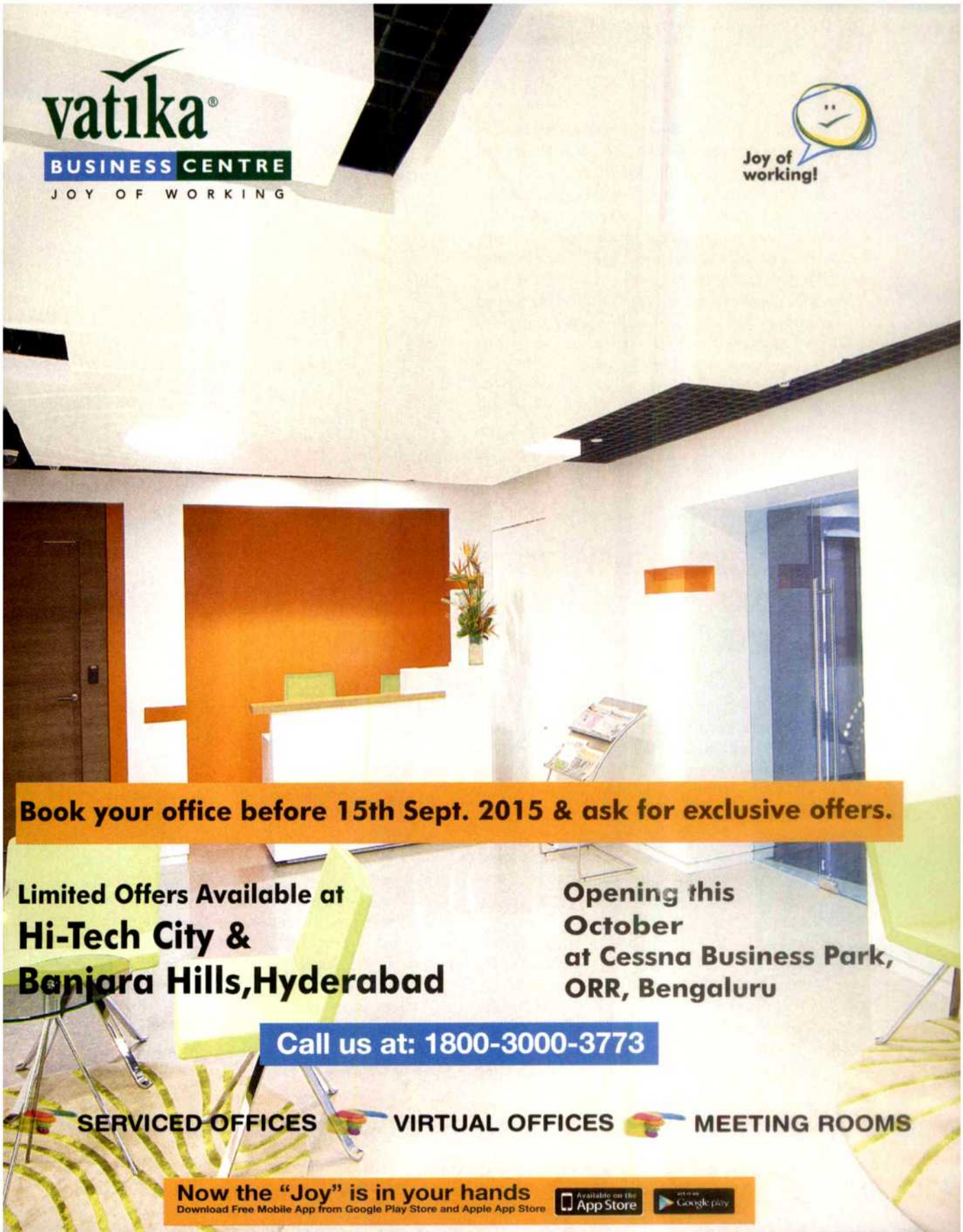
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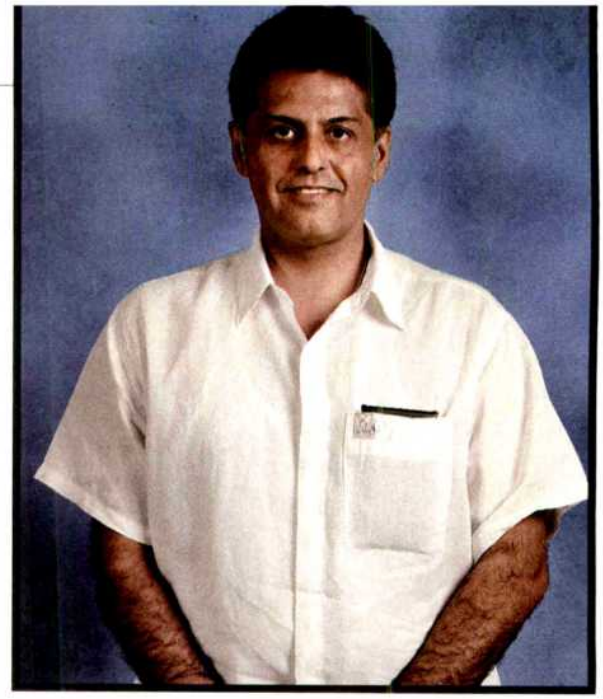

RAJWANT RAWAT

such information is very difficult to corroborate. For instance, Swiss authorities shared 427 account details, but India could send notices to only 250 of them.

India has pressed banks in Europe, including the ones in Switzerland, to push their Indian clients to disclose their accounts to tax authorities and provide fresh undertakings. The new law has provisions to book these banks for abetting the hoarding of untaxed money. "It is difficult to do it practically, but provisions are there," says another banker.

In October 2014, the Swiss authorities had agreed to assist investigations related to money stacked in their banks. Now Indian authorities are negotiating the bilateral agreement with the Swiss government to share information regularly and automatically. In May this year, Swiss authorities published names of five Indians in their federal gazette's April-May 2015 edition, along with citizens of the UK, US, Spain, Germany, Netherlands and South Korea.

**Manish Tewari,** former I&B Minister and Congress leader

## "The only way to bring back black money is to get the information and see if it can be leveraged to either prosecute or take punitive action against the offenders"

These names are Dubai-based Gurjit Singh Kochar, Syed Mohamed Masood, Sneh Lata Sawhney, Chaud Kauser Mohamed Masood and Sangita Sawhney. The Swiss Federal Tax Administration, or FTA, had asked them to file an appeal within a month before the Federal Administrative Court if they did not want their details to be shared with India. "The automatic route may give the information prospectively, but many countries are under pressure to disclose more and shun their secrecy law," says a senior official from the finance ministry. India has a similar agreement in place with the US.

Meanwhile, if India has to take advantage of automatic flow of information by 2017, tax authorities would have to develop a mechanism to sift through the data flowing in. The existing intelligence sharing mechanism among different central economic intelligence and law enforcement agencies needs to overhaul completely. "There would be a huge flow of data. The challenge for India would be to carve out meaningful information out of this data, and execute accordingly," says Bhatia of OECD.

### Indian Underbelly

The officials at the finance ministry admit that the new law may not be sufficient to bring back most of the black money stashed outside. There will have to be more efforts to curtail the flow of illicit money. The worry for most of the economies, including India, is that cross-border tax avoidance and evasion is becoming more sophisticated with the advent of technology and mobility of capital. But India made a breakthrough when it pressed European banks to disclose more information. Through peer pressure and OECD, Swiss and other central European banks are moving on from banking secrecy laws. "The Swiss and other European banks are now asking the Indian residents hitherto enjoying their patronage to give an undertaking that their money is legitimate and in compliance with the

**May 2015:** The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 receives the assent of the President of India. It comes into effect from July 1, 2015

**June 2015:** AEOI treaty signed in Paris, where 94 jurisdictions have agreed to exchange information on an automatic basis from January 2017

**July 2015:** India also inks a mutual exchange of information with US authorities under the Foreign Account Tax Compliance Act. In effect, from September 30, Indian and US banks, stock-broking firms, mutual funds, etc., will exchange client details, which will be shared with the respective governments

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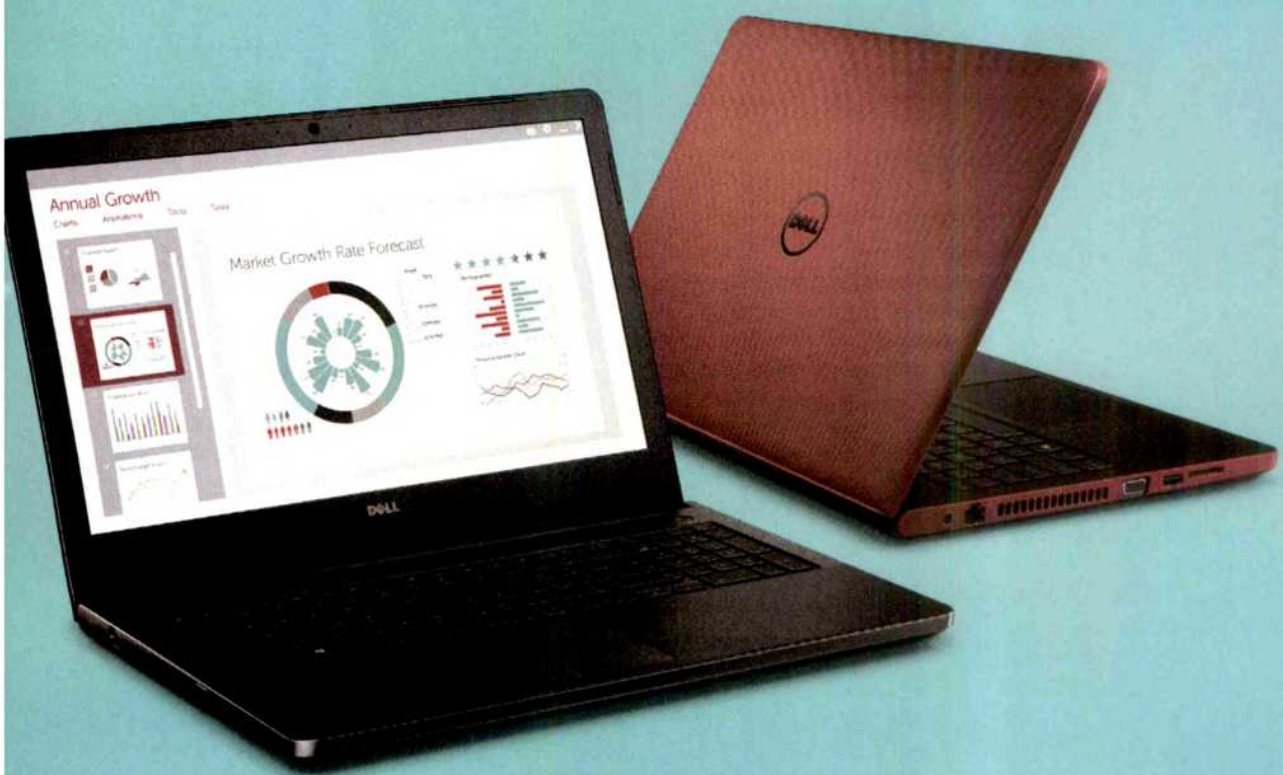


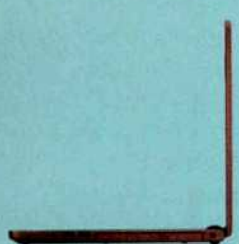

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**Prof. Ashwini Mahajan,** national co-convenor, Swadeshi Jagran Manch (Economic policy think-tank of RSS).

**"The government must look at ways to tackle the bigger issue of bringing back the money, which many from corporate India have stashed abroad. They are the big fish, not the expats or smaller players"**

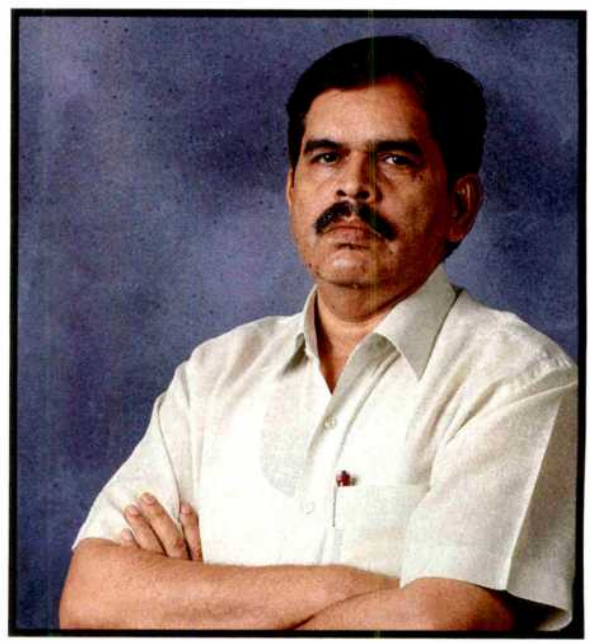
Indian laws. Some are also asking auditor's certificates to these effects," says a senior official of the finance ministry.

The Modi-led NDA government constituted a special investigation team (SIT) on black money to assist the ongoing litigation before the apex court. The SIT suspects the P-notes to be one of the ways to reroute black money into the system. P-note investments, ended February 2015, was at ₹2.72 lakh crore. Out of the top five countries from where P-notes come, three are low tax jurisdictions, such as Cayman Islands, Mauritius and Bermuda. Cayman Island with a population of less than 55,000 routed investment worth ₹85,000 crore.

US-based GFI estimates that $440 billion had moved out of India in the 10-year period from 2003 to 2012. A large portion of this money comes back to India via round tripping. Tax authorities believe participatory notes are a common route, and no one gets to know the real owner of the money. In 2007, India banned P-notes investments in the stock markets, as it was suspected that terror money was being routed. But amid pressures from foreign investors, the ban was lifted in 2008. This is a derivative instrument issued by FIIs to the investors to invest in country's equity and debt market without registering with the regulator. This means, one can invest in the market without disclosing their identity. But since 2007, the market regulator tightened the noose, and their share in FII investments came down from 50 per cent in 2007 to 11 per cent in February 2015.

PM Modi is under pressure from his ideological peers in RSS to crack the whip on domestic black money and web of tax havens, and rework the double taxation avoidance agreement to facilitate information sharing on a retrospective basis. The direct benefit transfer schemes, *Jan Dhan Yojna*, payment banks, introduction of GST, pushing for early implementation of General Anti Avoidance Rules, or GAAR, are all seen as efforts to curtail the flow of black money domestically.

India has already proposed amendments in Benami Transactions (Prohibition) Amendment Bill, 2015, in the Lok Sabha, and it is currently being discussed by the standing committee of the Parliament. It provides for attachment and confiscation of *benami* properties, along with a fine and imprisonment. According to estimates, India is riding on a $2-trillion black money economy, which is bigger than the size of the its own economy. This includes transactions in sectors such as real estate,



RAJWANT RAWAT

illegal betting, drugs trafficking, jewellery and liquor market, among others.

Meanwhile, to widen the tax base, India is pushing Mauritius to include clauses such as limitation-of-benefits. India wants Mauritius to ensure legitimate businesses get the benefit, but not the shell companies. However, obviously, the island country is resisting. "Many of our tax treaties are used for tax avoidance. If we have DTAAs, corporate houses should get the credit for tax paid in a low-tax jurisdiction like Mauritius, but should pay the differentail to Indian tax authorities, instead of waving the total tax entirely," says Mahajan of SJM. This RSS think tank believes that it is high time to renegotiate these agreements. FM Arun Jaitely while addressing the country's top business honchos at a seminar organised by *The Economist* in August this year, admitted that he is getting "requests" from various delegations of industry lobby groups to 'go easy' on domestic black money. "They argue, this is at least adding to the economic activity. Now, no economy can indefinitely sustain an argument of this kind," he adds.

The proof of the pudding, therefore, is in the eating. Hope when it's served to Indians, it tastes sweet. ◆

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# BLACK AND WHITE

## A story of shell companies, trusts, hawala, tax havens, consultants and money routing.

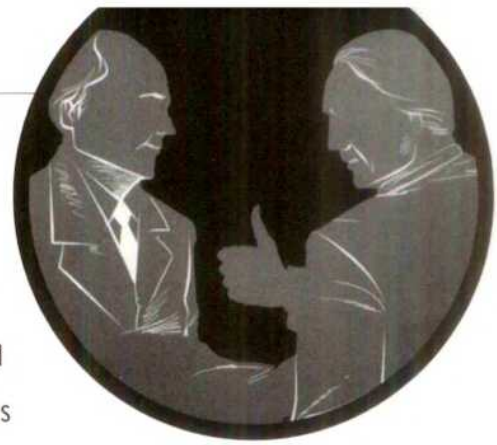
By SARIKA MALHOTRA & GOUTAM DAS

A Corporate presentation from 2009 was all praise for Vijay Choudhary. He is "an entrepreneur-par-excellence", a "key driver in the growth of the organisation", and the "driving force behind the momentum of the enterprise". His company, with interests ranging from industrial and engineering services to realty and infrastructure, however, started figuring in the list of top defaulters frequently since then.

Zoom Developers now owes over ₹2,000 crore to 26 public sector banks. And in July this year, the Enforcement Directorate did something unprecedented by attaching the company's 1,280 acre landholding in California. Over the past several years, Zoom had borrowed heavily citing projects in European countries. The money, allegedly, was siphoned off through many dummy

### THE MONEY TRAIL

Black money is generated through scams, illegal cash transactions and income tax frauds. It is then moved abroad and routed back.



## TRADE MISPRICING ROUTE

→ Over-invoicing of imported products and services

→ Money deposited in shell company abroad

→ Money transferred to multiple jurisdictions

## RETURN OF CAPITAL

Money parked in trust-friendly jurisdictions

↓

Money moved to tax-efficient jurisdiction

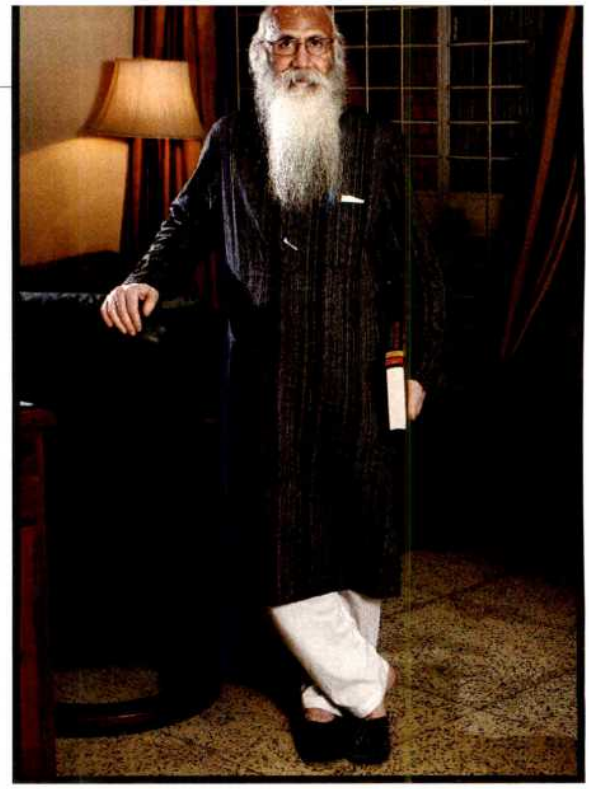
↓

Money moved to tax-friendly jurisdiction

↓

Routed to India as FDI

ANAND SINHA



SHEKHAR GHOSH

**Arun Kumar,** former professor, Centre for Economic Studies and Planning, JNU

**"The layering process hides the real beneficiary of an account. That is why the Bofors money trail could never be tracked"**

firms – in India, Switzerland and London – and channelled to trusts. Part of the money was used to buy properties. Now, Zoom has taken down its website; e-mail accounts have been disabled; and telephone lines are dead. According to an Enforcement Directorate source, Choudhary is absconding.

Bank loan frauds such as the one by Zoom might be rare, but the modus operandi is similar to most money laundering cases. Investigations into such dealings are almost unheard-of, primarily because it is often impossible for enforcement authorities to follow the complex money trail and bring the perpetrators to book.

A classic black money operator opens many shell companies to route money before it is invested. This is called 'layering', and it helps in covering up the money trail. Assets are rarely in the beneficiary's name and money is moved through jurisdictions where Indian laws are not respected. Over the years, many such perfectly legal but complex financial systems have evolved that help convert black money into white. Professional services firms located abroad, chartered accountants and savvy lawyers, all play a role in covering up the tracks, which perhaps no law – not even India's new antidote to black money, The Black Money (Undisclosed Foreign Income and Assets) Imposition of Tax Act, 2015 – can effectively counter or help unravel.

## The flight

Before professional services are sought, a high net worth individual would typically plan his modus operandi. It begins with black money generation – a company could either indulge in "master roll fudging" where wages and employment figures are inflated, like in the case of the erstwhile IT poster boy Satyam where 13,000 fictitious employees were created, or through under-invoicing. Unaccounted cash transactions are also rampant in businesses with recurrent underhand dealings, such as in medical or engineering schools where a certain number of seats are allegedly sold for cash, mining and, of course, in the form of kickbacks and bribes accepted by bureaucrats and politicians. Shailendra Kumar, in his book *Its Raining Black!* chronicles many generation tools, from "the game of cricket, the shiny yellow metal, or the clinking of glasses of whiskey".

Once black money is generated, a businessman often prefers trade mispricing as the vehicle to siphon money out of the country.

But, how does trade mispricing work? Sample this: An Indian company, either promoter-owned or registered under a shell company typically located in Kolkata, can start by importing everything from heavy machinery to software – say, an ice cream machine, which costs $100,000. The company quotes an inflated price of $1 million. The manufacturer of the machine or its suppliers may not want to produce a

**WELL-OILED**

**What professional services companies abroad offer**

- Form 'shell companies'
- Open bank accounts
- Select trusts
- Act as professional trustees of trusts
- Incorporate firms and holding structures
- Administration of firms
- Provide directors and secretaries
- Engage bankers or investment advisors
- Issue tax certificates and certificate of good standing
- Custody of letter of wishes

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fake voucher with the inflated price. Therefore, another shell company will be set up offshore, for instance in Dubai. It will first import the ice cream machine at the original price, and then sell it to the Indian company for $1 million. "No one will have an inkling about the fact that the Dubai company is also related to the promoters. The Indian company next remits $1 million to the Dubai shell. This is done through a banking channel," says Jagvinder Brar, Partner of Forensic Services at consulting firm KPMG.

**Since Indian laws have restrictions on carrying cash, the most common method is to wear or carry diamond jewellery**

There are shell companies in Mumbai and Surat, too, but Kolkata became the epicenter since the 1980s. One of the oft-cited reasons on why Kolkata flourished was because operators in the city charged less commission.

Similarly, one can import software – get a shell company in Singapore or Hong Kong to send a blank CD. "You declare that you have received a proprietary software and it costs $200,000. Even on a small scale, you can remit the money abroad. The claim is backed up by the invoice and a genuine courier," says Brar.

The popular strategy for Zoom Developers, for example, was to channel the money through many shell companies across several countries. "There are about 90 tax havens. One can move money from India to the Bahamas, to St. Kitts, to Cayman Islands (the world's fifth largest international financial centre) and, finally, to Switzerland (a country that reportedly manages one-third of the world's private wealth). You keep closing the shell companies once the money is transferred," explains Arun Kumar, a former professor at Jawaharlal Nehru University's Centre for Economic Studies and Planning. "This layering process hides the real beneficiary of an account. That is why the Bofors kickbacks could never be tracked."

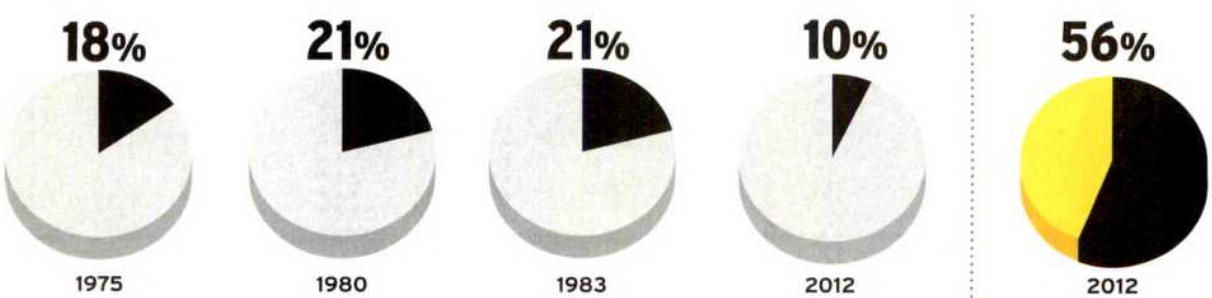
Flight of black money in cash is an even more interesting story, especially, by those who amass loads of cash through illegal dealings from big-ticket deals or through bribes. *Business Today* met a middle-aged lawyer at a posh Delhi locality. By his own admission, a veteran in advising the Capital's bigwigs on such transactions. Much like the layering process of black money, his office is layered too. We are guided through three doors before we reach his cabin. He sits there, in a white shirt, keeping an eye on every section of his den through closed-circuit cameras placed at various vantage points. It is 10.30 pm, and a visitor waits at the reception – a tall man with a moustache and a diamond stud.

"Hawala and diamonds," he says, in a matter-of-fact way, when we asked what he advises clients looking to transfer cash abroad. Again, the modus operandi is simple. Since Indian laws have restrictions on carrying cash of over ₹20 lakh, except in special circumstances such as medical treament, the most common method is to wear or carry diamond jewellery of, say, ₹50 crore, and fly to Dubai. The diamond can then be sold and the cash deposited in a bank. "The banking system in Dubai, typically, asks no questions. Once the money is in the banking channel, the process of layering follows," says the lawyer.

Today, Dubai is the world's third-largest diamond trading hub. As per Rapaport data, official diamond imports to Dubai and UAE have increased from $884 million in 2004 to $5,021 million in 2013, and diamond exports from the two neighbours have shot up from $1,669 million to $7,300 million in the corresponding period. "Dubai is not a diamond polishing hub. Why is it importing or exporting

## THE BLACK ECONOMY

Black money as a percentage of GDP



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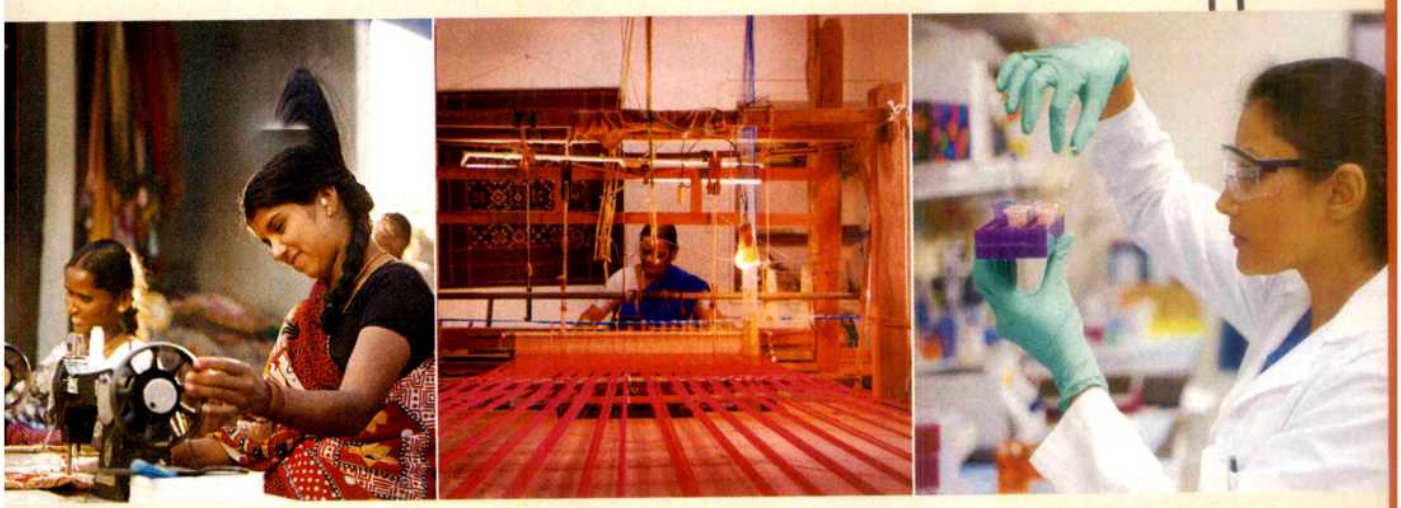

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Partner, Forensic Services, KPMG

**"When you bring in (money in the form of) foreign direct investment through Mauritius, it is presumably clean"**

VIVAN MEHRA

as much? No one is looking into it," says Martin Rapaport, Chairman of the Rapaport Group, and founder of Rapaport Diamond Report.

Hawala transactions are even easier. The customer pays a simple fee to the Hawala agent and gets the money out to his chosen jurisdiction.

## At your service

It is incredibly easy and cheap to set up a shell company abroad. It costs as less as $500. Some countries allow companies to be set up through websites. But most Indians prefer layering services to be rendered through chartered accountants, lawyers and professional services companies.

Switzerland has a host of companies that provides professional services to manage the wealth of high net-worth individuals across the world. Services can range from acting as professional trustees of trusts to incorporating companies and holding structures. They provide administrative services, including directors and secretaries for these companies, and that of the trusts. Other services include assistance while meeting with bankers. In some cases, the packages of services offered are transparently displayed on their websites along with the rates for each service. One such company is SwissIndependent Trustees, which claims to "deal with the formation of trusts and companies in several jurisdictions" and promises "exacting detail and meticulous execution".

Yet another company is the Portcullis Group, which "is a one-stop service provider that is secure, cost effective, confidential and internationally compliant". It offers shelf companies in British Virgin Islands, Samoa, and Seychelles. Shelf companies are legally formed firms, which are inactive but can be purchased to start a business right away.

In tax havens, professional beneficiary services is an organised industry and are bound by the laws of the land. The chances of these firms perpetuating fraud are negligible and that explains their popularity. "These companies

## BLACK DEN: BEYOND THE ED'S KEN

Cases cracked by the Enforcement Directorate under the Prevention of Money Laundering Act, 2002

| ACTION | 2012/13 | 2013/14 | 2014/15 |
|---|---|---|---|
| Number of cases registered | 221 | 209 | 178 |
| Number of cases disposed | 100 | 277 | 342 |
| Value of assets under attachment (₹ crore) | 2,358 | 1,773 | 3,657 |
| Number of persons arrested | 3 | 7 | 19 |

Source: Enforcement Directorate

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## THE MONEY-SPINNING HUBS

Tax havens and what differentiates them

- **Switzerland:** Created banking secrecy; most popular but has become expensive over time. Easier for settlements.
- **Singapore:** Many Indians have reportedly moved funds to Singapore. Enjoys Double Taxation Avoidance Agreement with India
- **Caribbean Islands:** Holiday packages and resorts. Use money to have a good time. Proximity to North America. Popular among NRIs
- **Luxembourg:** Has low-tax corporate structures. Proximity to key developed economies of Europe. Additional benefits to MNCs.
- **Hong Kong:** Attractive tax regime and follows strict privacy laws for companies

are legal entities and are bound by professional beneficiary agreements, which act on clients' instructions and maintain 100 per cent confidentiality," says another Delhi-based corporate lawyer, who did not wish to be identified. "Since the beneficial owner of the trust is a foreigner, there is no way to know whose money is being handled."

Some banks allow 'numbered accounts', where the account holder is identified by a number rather than his name. "Blind shields are created through trusts in these jurisdictions to protect the identity of the ultimate beneficiary. The trust deed always remains a private document," the lawyer adds.

### The return

Many professional services companies also advise on converting black money to white. While the money is typically used to buy property abroad, holidaying, or on heathcare, children's education and buying jewellery, they are also routed back to India.

The return journey of black money typically has a sequence. Money is parked in a trust-friendly jurisdiction, such as Switzerland, before it is moved to a tax-efficient country such as Cyprus, where the taxation levels are very low, or have no taxes. It is then routed to a tax-friendly country like Mauritius, before reaching the final destination in India. India has a Double Taxation Avoidance Treaty (DTAA) with Mauritius.

According to experts who track black money, foreign direct investment is the favourite tool.

"There are advantages when you bring in FDI through Mauritius. When you sell shares, you can avoid capital gains tax. And, any money that comes in as FDI is presumably clean money. This is happening now. It can happen in IT-ITES, manufacturing and even in the restaurant sectors," says Brar of KPMG.

Trade mispricing, the very tool used to siphon off money, can also play an important role in bringing money back into India. Instead of inflating invoices, a business can under-invoice and export machinery or software. But, how does one convert black into white in India? There are several options. Some are less tax efficient and may involve forgery. One can open a company to sell bags or a restaurant. The business may not take off, but the owner can still show cash sales of ₹1 lakh to ₹2 lakh a day. Slowly, but surely, all money would be legitimate one day!

That's a game many Indians have perfected. Law enforcement agencies will find it tough to catch up – not just because of the layering process, but also due to the number of people involved. At an estimated 56 per cent of the GDP, the black money conundrum appears systemic.

*BT* met a former customs commissioner, who now practices law, Krishna Pratap Singh, at a five-star hotel in New Delhi. He laid out many reasons why the law will find it difficult to catch up. It is difficult to detect over- or under-invoicing of products by Customs. It is even more difficult if it's a sale of software, which can be delivered over e-mail. "The ED is understaffed," he reveals, adding: "The veil is lifted only in cases of very intensive investigation and when the State seriously wants to act." ◆

*@Goutam20; @sarikamalhotra2*

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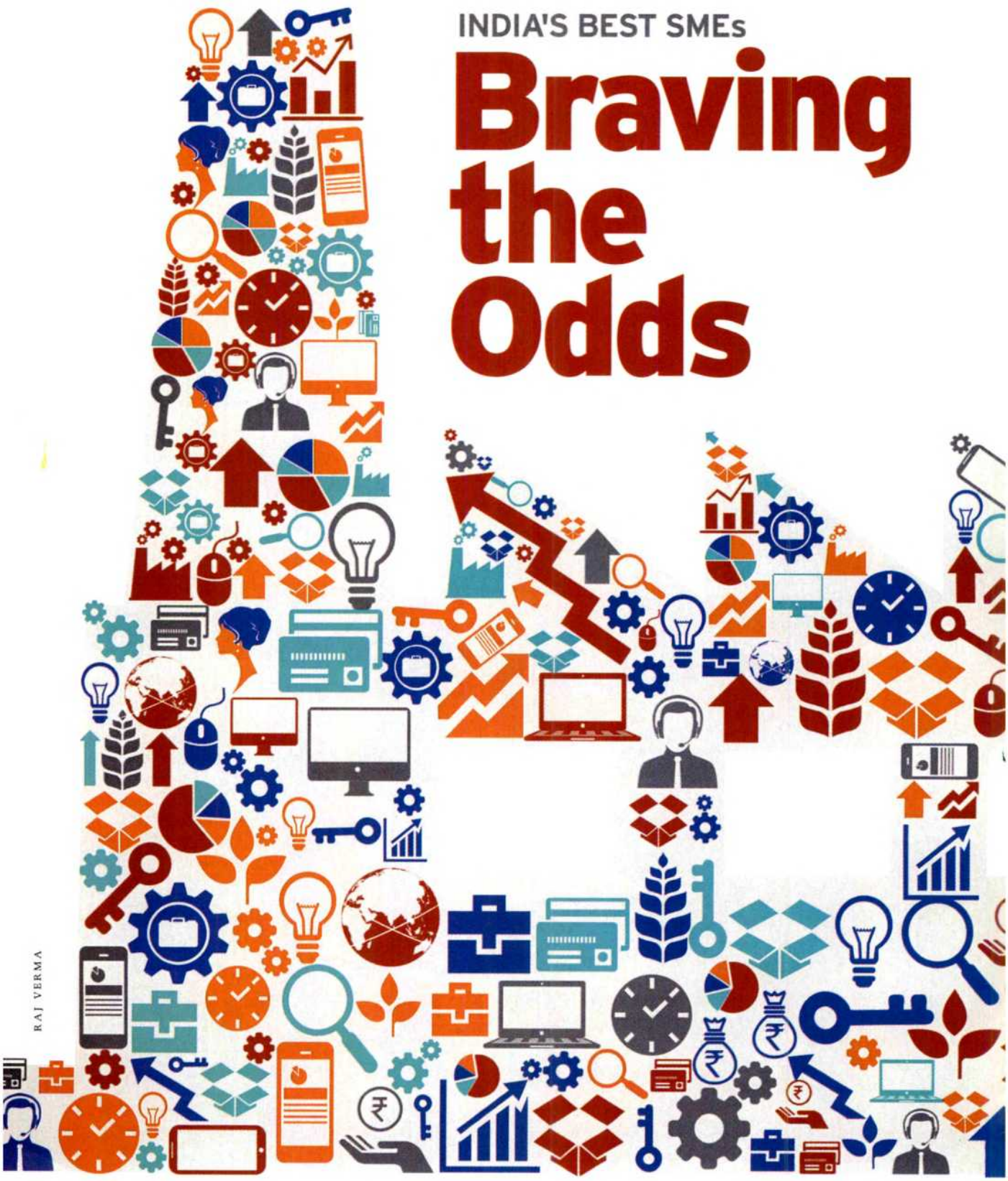
# Braving the Odds



RAJ VERMA

# Small businesses rise up to the challenges of stiffening competition, increasing costs and slowing export markets.

By TASLIMA KHAN

Headquartered in Rajkot, Gujarat's bustling engineering hub, Atul Auto is a medium-sized company manufacturing three-wheelers. The company, over the past three years has grown its turnover from ₹350 crore to ₹490 crore this year. But it has not been easy. Growing competition, falling margins, rising costs and slackening export markets have all been making the fight to survive tougher by the day.

However, Jitendra Adhia, Director-Finance at Atul Auto, figured out a difficult but viable way out for the company to keep sailing. Three years ago, the company made a conscious decision to go debt-free, so it does not have to depend on banks for any of its credit requirements. That was the only way out to meet competition and maintain bare margins. "The market leader (Bajaj Auto) in three-wheelers operates at an EBITDA of 30 per cent whereas we operate at 11 per cent," says Adhia. "At such margins, if I were to afford a bank loan at 14 per cent, I would not make any profit."

Atul Auto's challenges practically define the current situation with respect to small and medium enterprises, or SMEs, in India, which, at an estimated 26 million enterprises is the country's biggest employer, after agriculture. While working on the special feature "India's Best SMEs", *Business Today* conducted a survey on 15,040 companies falling under the turnover limit of ₹500 crore. These include both listed and unlisted companies operating in diverse sectors ranging from

## SME TRENDS

For last three fiscals: 2011/12 to 2013/14

- Total income increased from ₹7,23,779 crore to ₹7,43,822 crore, while the rate of growth (YoY) in percentage terms has dipped from 9.15 per cent to 1.20 per cent.
- Net profit fell from ₹8,699 crore to ₹7,924 crore.
- Value of exports from the SMEs increased from ₹93,528 crore to 1,02,402 crore - yoy growth falls from 15.35 per cent to 11.24 per cent.
- Interest expense increased from ₹41,867 crore to ₹57,957 crore, but growth rate of interest expenditure came down from 21.27 per cent to 15.53 per cent.
- Debt grew from ₹6,08,239 crore to ₹8,57,801 crore.

Source: Business Today's survey of financial data from 15,040 companies with turnover under ₹500 crore.

textiles, power, agriculture, IT&ITES to trading and financial services besides others that have declared their financials at least over the last three fiscals, 2011/12 to 2013/14 (see *How We Did It*). The data we arrived at reflects the trends inherent in Atul Auto's case.

While the total interest expenditure has increased from ₹41,867 crore to ₹57,957 crore, the rate of growth of interest expenditure has come down from 21.27 per cent to 15.53 per cent. What we can infer from this is that most SMEs' exposure to bank credit is falling. The same trend is also reflected in a recent report by the Reserve Bank of India, which states that while the growth of bank credit to industry, in general, has slowed down, it has declined to an alarming 10 per cent for micro, small and medium enterprises – from over 21 per cent in the previous year.

High cost of credit is the most important reason why some small companies are being forced to think of reducing their exposure to bank loans. "If you add up other bank charges, such as processing fee, collateral requirements for loans upwards of ₹1 crore besides other costs, the total cost of credit actually turns out to be about 17 per cent. This is exorbitant for small companies and sucks out their bottom lines," says Sanjay Bhatia, Managing Director of Delhi-based packaging company Hindustan Tin Works, who serves as Chairman of the MSME Committee at industry body FICCI.

Besides the onslaught of high credit costs, the data from BT's survey reveals falling rate of growth of income and severe profitability challenges for SMEs. While total income has increased from ₹7,23,779 crore to ₹7,43,822 crore over the past three fiscals, the rate of growth in percentage terms has dipped from 9.15 per cent in 2011/12 to a precipitous 1.20 per cent in 2013/14. Also total net profits over the corresponding period have fallen from ₹8,699 crore to ₹7,924 crore.

There are multiple factors at play here. Out of the 15,040 companies, 724 companies operate in the real estate sector, which include companies operating in infrastructure-related verticals like cement and steel. "Real estate is one sector that has typically performed badly in the last three years. The huge confusion on the land bill coupled with land issues has hampered growth prospects," says Bhatia of FICCI. "Other sectors like auto have continued to grow."

Also, although the total contribution of the SME sector to exports is around 42 per cent, companies under ₹500 crore have significant exposure to export businesses. "Exports have been slowing down quarter-on-quarter, owing to disturbances in West Asian countries, while demand in European markets continues to slow down," says Bhatia. Data from the survey falls in consonance with the overall slowdown in exports. The total value of exports from the companies increased from ₹93,528 crore to ₹1,02,402 crore, but growth cooled down to 11.24 per cent (in 2013/14) from 15.35 per cent in (2011/12)

Falling levels of profitability by far remains the most significant worry for the SME sector. Besides high cost of credit, power and cost of labour, input prices, have escalated as well. Since most inputs are sourced from large companies, small companies

SHEKHAR GHOSH

**The Jury:** (Lto R) Mahendra Swarup, MD, Avigo Capital; Prosenjit Datta, Editor, BT; Vivek Kulkarni, MD, Brickwork Ratings; Anil Bhardwaj, Secy-Gen, FISME; Vikas Gambhir, Director, Business Risk Services, Grant Thorton

## How we did it

This is the sixth Business Today Best SME Survey. The survey was carried out through an online questionnaire published on BT's website, and printed forms were also distributed with the magazine and to SMEs across the country. The data processing was validated by Grant Thornton. Listed and unlisted companies with total revenues less than or equal to Rs 500 crore in 2013/14 were eligible to apply. In addition, BT dipped into the CMIE Prowess database to pull out numbers of companies that fit the revenue benchmark. This was done so that good companies with audited data are not missed, even if they did not apply for the awards. The three years of the study were 2013/14, 2012/13 and 2011/12. In all, data of 15,040 companies was crunched. Companies that did not make any profits in any one of the three fiscals, and whose latest, audited financial year results are not available, were eliminated.

For the rest, we measured three-year average growth of revenue, profit and net worth, three-year average PAT margin, and three-year average ROCE. Each company was scored on the basis of these parameters, and the scores were combined in equal weightage. Then the companies were divided into three groups by revenues – less than or equal to Rs 100 crore, Rs 101-250 crore and Rs 251-500 crore – and further into four segments – agriculture, manufacturing, services and trading. Then, each company was scored on how far it outperformed/ underperformed the median for their segments. For the Global Business Excellence award, growth in exports and share of exports to total income of the company were considered.

We also have two special awards – for the best woman leader and for innovation. The top companies in each category were presented before a jury for the final decision on the winners. The jury comprised **Anil Bhardwaj**, Secretary-General, FISME; **Vivek Kulkarni**, Managing Director, Brickwork Ratings; and **Mahendra Swarup**, Managing Director, Avigo Capital. Vikas Gambhir, Director, Business Risk Services, Grant Thornton, provided technical support.

enjoy very little bargaining power. Also these companies are usually not the market leaders in their segments and, hence, cannot dictate prices in the market. The only way to survive is to keep a strict control on costs while maintaining product quality to meet their sales targets.

New regulatory compliances are also proving to be an added cost for SMEs. As per a recent regulation, companies with upwards of ₹1,000 crore turnover, ₹500 crore net worth or ₹5 crore profits need to shell out two per cent of their profits on corporate social responsibility activities. "These are the kind of regulations that affect the financial health of companies," says Bhatia. MSME industry associations are lobbying with the government on several issues to make the business environment better for SMEs. The biggest of them all is the problem of delay in payments from large private companies and PSUs, which get their supplies from these SMEs. While companies are required to repay bank loans in 60 days, receivables from large companies take as long as 120 days or more, without any interest payment. This is one of the major factors affecting working capital.

Also, FICCI is pushing for restoration of the two per cent interest subvention scheme for exporters, which was pulled out recently. Besides, it wants the ambit of companies classified as MSMEs to be expanded from ₹10 crore turnover to ₹25 crore turnover so as to enable more small companies to avail government schemes. If this proposal is implemented, more SMEs will be able to take bank credit, since banks go by the MSME ministry classification of micro, small and medium enterprises to disburse credit under various schemes. Currently, roughly five per cent of India's SMEs have access to bank funding.

The good news, however, is that this fiscal, as announced by MSME Minister Kalraj Mishra in March, the Centre has allocated ₹3,300 crore for implementing a special programme for developing infrastructure related to MSMEs and for implementing various schemes for this sector. ◆

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BEST SME-OVERALL/ MANUFACTURING

# A New Beginning

Symphony Ltd was once referred to BIFR. Over the last few years, it has managed to script a dream turnaround. By P.B. JAYAKUMAR

The 27-year-long business life of Achal Bakeri, the Chairman and Managing Director of Ahmedabad-based Symphony Ltd, is a fascinating tale of ups and downs. The company, in its first phase, tasted phenomenal success in a short period, followed by near bankruptcy. In the second phase, it learnt from its mistakes, won back customer and investor confidence, and emerged as India's largest air-cooler manufacturer with a market capitalisation of over ₹6,300 crore.

No wonder, it has won two awards — "Best SME-Overall" and "Best SME-Manufacturing" — in the ₹250 crore and above turnover category in the 2015 edition of *Business Today's* Best SME Awards.

The first part of Bakeri's entrepreneurial journey started in 1988, when he decided to launch air coolers instead of joining the family's real estate business. Back then, the industry was totally unorganised. The products, too, looked odd and clumsy. So, Bakeri launched an air cooler that resembled an air-conditioner, for ₹4,300. In just two to three years, Symphony was able to match competitors such as Crompton Greaves, Usha and Polar, which were large multi-product companies, in the air-cooler category. Then, it decided to diversify. In 1994, it got listed on exchanges, built a large factory, and launched new models. It tried to replicate its success with air-coolers in other categories by launching new models of water heaters, room heaters, water purifiers, air-conditioners, washing machines and exhaust fans. But the products failed to attract consumers. Worse, this made Symphony lose focus on air coolers. By 2001, investors lost faith in the company, its net worth eroded, and the stock became a penny stock. The company was referred to the Board for Industrial and Financial Reconstruction or BIFR. It had a debt of over ₹50 crore.

**KEY FACTS**

- Symphony has 50 per cent share of the organised air cooler market, followed by Kenstar, Bajaj Electricals, and Usha
- Its products command a 10-12 per cent premium over products of its competitors
- About 15 per cent of Symphony's revenues come from exports to 60 countries

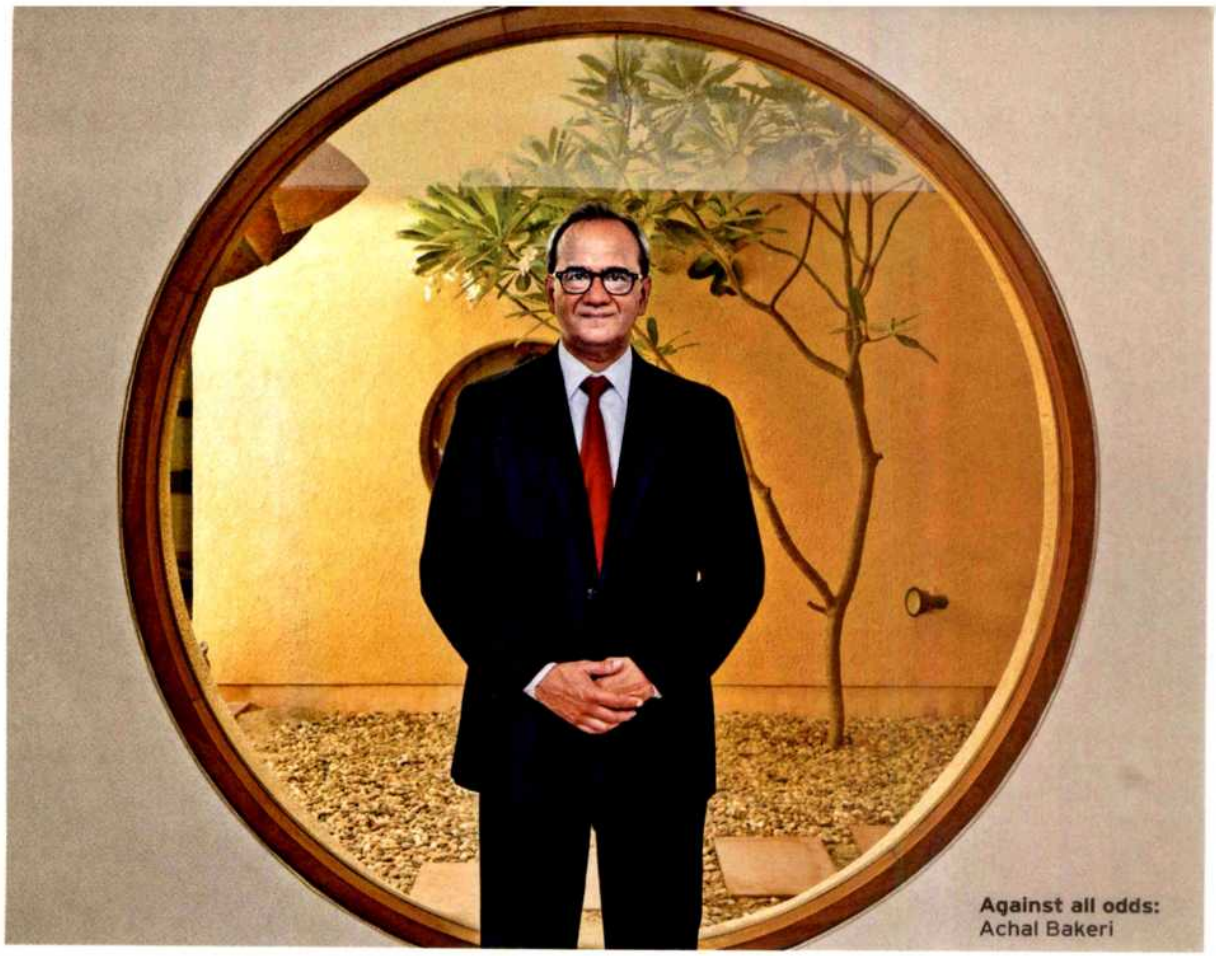
"There was no cash on the books, our products were considered me-too, our dealers had virtually given up on the brand and amusingly (now that I can afford to use the word) the only constant was revenue invisibility," Bakeri recalls in the annual report for 2013/14.

The second part of Bakeri's business life begins here. Instead of closing down the business, as advised by many, he decided to give it a try again, and this time concentrated only on his core competency, air-coolers. "We continued to believe that one of the first things people aspired to own was a residential cooling product," says Bakeri.

So, the company abandoned other products. Instead, it launched new air-cooler models in various formats. In the next six years, the focus was on bringing down costs to increase margins. It also decided to outsource manufacturing to become asset light.

Its next move was to tap overseas markets. A breakthrough came when it acquired a bankrupt Mexican company, International Metal Products Co (IMPCO), in 2009, which gave it access to the US market and newer models.

There has been no looking back since then. From ₹238 crore in 2010/11, the turnover grew to ₹466.39 crore in 2013/14. Net profits in these three years have been



Against all odds: Achal Bakeri

₹50.3 crore, ₹62.6 crore and ₹98.9 crore, respectively.

Symphony has a 50 per cent share (40 per cent in volume terms) of the domestic organised market, followed by Kenstar (35 per cent), Bajaj Electricals (15 per cent) and Usha.

"The size of the air-cooler market is estimated to be seven million units worth ₹3,000 crore. It is expected to grow to 10 million units by 2020. The global market (except China) is estimated to be another ₹4,000 crore. However, only 20 per cent volumes come from the organised sector," says Nrupesh Shah, Executive Director, Symphony.

The company's products command a 10-12 per cent premium over products offered by competition. About 15 per cent revenues come from exports to 60 countries.

"Over the years, we have introduced a wider range, created large AC-like air coolers, launched premium air coolers, put air coolers on castors and moved to central air-cooling through the acquisition in Mexico. We have implemented just about everything the purists had warned us against – and succeeded," says Bakeri.

Last month, Symphony bought Munters Keruilai Air Treatment Equipment (Guangdong) or MKE, China, which had a turnover of ₹93 crore last year. It has one of the best manufacturing and research facilities in Asia, which will help Symphony in the coming years, says Shah.

"Symphony de-risked the seasonal nature of the business by offering good discounts during off-season and penetrating countries like Sri Lanka," says Himanshu Shah, an independent director on the board of Symphony.

The best part is that Symphony still has a huge market to tap, say Motilal Oswal analysts Niket Shah and Atul Mehra. "While 54 per cent out of 143 million households live in hot and dry climatic conditions and 4 per cent live in moderate climatic conditions, only about 8 per cent own air-coolers, providing a huge opportunity for growth," they say.

Nrupesh says the company is poised to grow at a compounded annual growth rate of 20-25 per cent in the medium term.

For the time being, everybody is buying Symphony's growth story, and it seems that Bakeri can afford to forget his past mistakes. ◆

@pb_pbjayan

## Symphony Ltd

Ahmedabad

| | |
|---|---|
| Topline growth: | 25.9% |
| Bottom line growth: | 31.4% |
| Networth growth: | 23.7% |
| Net profit margin: | 20.0% |
| RoCE: | 39.5% |

*All numbers are 3-year averages

BEST SME-SERVICES

# High Flyer

Cochin International Airport has raised the bar for other airports in the country. BY NEVIN JOHN

**Ready for takeoff:** Cochin International Airport has weathered the recent macroeconomic headwinds

The international airport in Kochi was envisaged as a public-private venture in the early 1990s. At the time there was no proven business model for infrastructure projects to emulate. All the same, Kochi International Airport Society, the special purpose vehicle of the Kerala government created to build the airport, acted swiftly. It raised nearly ₹300 crore from investors in a matter of a few months – mostly NRIs, public and private companies, exporters and cooperative societies. And in just three years, the registered company, Cochin International Airport Ltd (CIAL), completed construction and started commercial service.

CIAL has successfully weathered challenges over time. In the recent past, the dip in air travel post the global economic meltdown in 2008

**KEY FACTS**

- First greenfield airport in India under public-private partnership
- Seventh busiest airport in India in 2014/15, ferrying 6,814,867 passengers
- Building a new Rs 1,100-crore international terminal, with built-up space of 1.5 million sq. ft.

## Cochin International Airport

**Kochi**

| | |
|---|---|
| Topline growth: | 13.9% |
| Bottom line growth: | 11.4% |
| Networth growth: | 11.4% |
| Net profit margin: | 35.9% |
| RoCE: | 21.6% |

*All numbers are 3-year averages

and severe financial crisis afflicting most airlines had affected airports across the country but CIAL navigated the lean period without taking a big knock. In the three financial years upto 2013/14, the airport registered an average revenue growth of 14 per cent to ₹363 crore while profit rose 11.4 per cent annually to ₹124 crore.

V.J. Kurian, Managing Director of CIAL, attributes the stellar performance to a cost effective business model that does not compromise on operational parameters. "We had built a greenfield airport with a minimal investment of around ₹300 crore. It inspired us to take up new projects at the airport without inflating costs" he says. Today, CIAL runs most of the businesses at the airport including duty-free outlets and aero operations (parking, landing, handling fee). Indeed, almost 80 per cent of the airport's revenues comes from these two segments.

Meanwhile, in the last three to four years, the CIAL management has created an integrated airport management system to improve efficiency. All the airport operation verticals have been brought under a single software platform. A ₹37 crore new commercial complex and a ₹62-crore airport road widening project are under way. "The company is well run and has an innovative business model. Its investors, too, have contributed to the smooth running of operations," says V.K. Vijayakumar, Investment Strategist, Geojit BNP Paribas Financial Services.

### High growth trajectory

Kurian foresees high growth potential for the domestic aviation sector. His company is gearing up to cash in on the emerging opportunities. "We are upgrading the facilities to face the challenges of the future," says Kurian. CIAL is constructing a ₹1,100-crore international terminal with a built-up space of 1,500,000 sq ft. It is designed to handle 4,000 passengers in an hour and will be commissioned by May 2016. The two-level terminal will have 112 check-in counters with in-line baggage screening facilities, 100 immigration counters, duty-free shops spread over 30,000 square feet at departure and arrival lounges, 19 boarding gates and fully covered alighting and boarding area.

**"We built a greenfield airport with minimal investment ... It inspired us to take up other new projects."**

V.J. Kurian,
Managing Director, CIAL

The existing domestic terminal would be converted into "Royal Pavilion" and would handle VIP and private chartered flights and jets. The current international terminal will become a domestic terminal with five aero-bridges and 10 boarding gates facility, apart from a substantial increase in parking bays.

In the financial year 2014/15, Cochin was the third busiest airport in India in terms of international passenger traffic after Delhi and

Mumbai ferrying over 3,751,225 passengers and seventh busiest airport in India carrying 6,814,867 passengers.

## Powering ahead

Meanwhile, CIAL commissioned a 12-MW solar project in mid-August on 45 acres near the cargo complex at the airport. The project was executed by Bosch at a cost of ₹62 crore in about six months. "The company has been showing better adaptability to situations. For example, when we learned that the power bills are on the higher side, we decided to switch to renewable energy. Now we are the first airport company in the world to fully operate on solar energy," adds Kurian. The project is estimated to generate about 50,000 units of electricity daily. The company had also commissioned a 1 MW solar plant in 2013. Consequently, the airport has surplus power supply. It has now entered into a pact with the Kerala State Electricity Board for feeding power produced from its solar stations to the power grids.

CIAL appears to be raising the bar for other airports in the country. ◆

*@nevinjl*

BEST SME- TRADING

# When the Going Gets Tough...

Jullundur Motor Agency has managed to grow at a decent pace despite a slowdown in the commerical vehicle market. By DIPAK MONDAL

For Jullundur Motor Agency (Delhi) Ltd, a ₹386-crore auto spare parts trading company, the past four-five years have been a grind. The reason is negative or flat growth in two auto segments, heavy commercial vehicles (HCVs) and tractors, which account for 50 per cent of its revenue. Tough competition added to the woes.

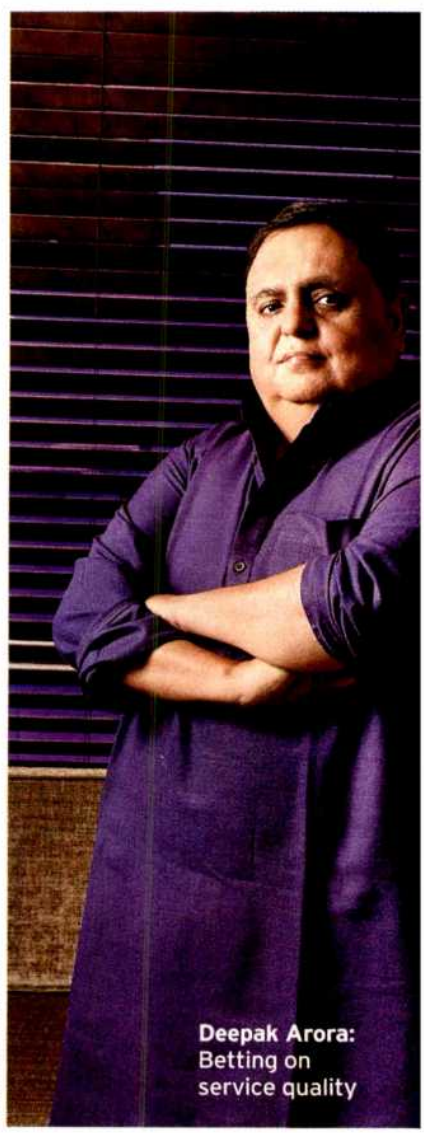
Despite the challenges, the 88-year-old company has expanded revenue by 10.5 per cent a year, on an average, for the past three years.

### Jullundur Motor Agency

Gurgaon

| | |
|---|---|
| Topline growth: | 10.5% |
| Bottom line growth: | 2.3% |
| Net worth growth: | 17.3% |
| Net profit margin: | 4.1% |
| RoCE*: | 17% |

*All numbers are 3-year averages



SHEKHAR GHOSH

**Deepak Arora:** Betting on service quality

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RISING UTTAR PRADESH

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## MAJOR ACHIEVEMENTS/BEST PRACTICES OF VARIOUS DEPARTMENT IN THE STATE

### Industries and Infrastructure Development

- Internationally certified (IS/ISO 900:2008) body as a single point of contact for setting up business in Uttar Pradesh – Udyog Bandhu.
- Dedicated helpline (+91 522 2238902) to address investor queries.

### Commercial Tax

- Barrier Free State – All interstate check posts abolished since 2009
- Learning by resolving grievances – 24x7 Central Grievance Redressal cell (CGRC) at headquater and Zonal level for commercial Tax

### Pollution

- Ease of operation for industries – 220 types of industries exempted from obtaining No Objection Certificate (NOC) to establish in Uttar Pradesh.
- Zero human interaction reducing time and cost for investor.

### Investment in Infrastructure

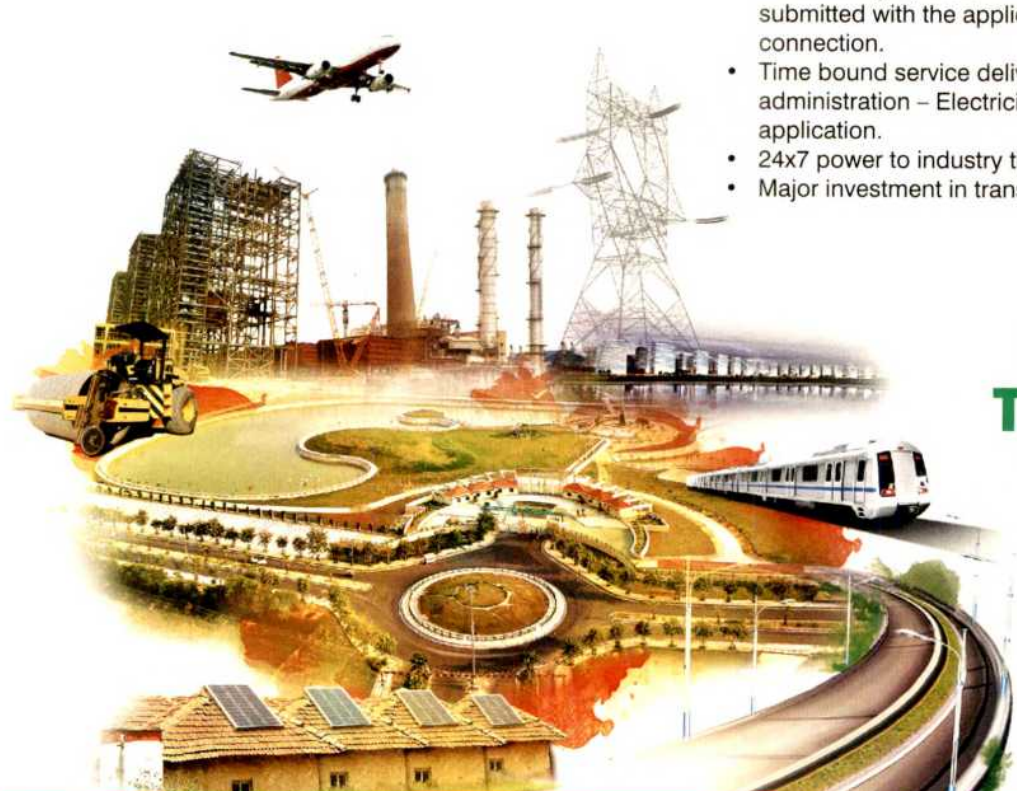
- Construction of Lucknow Metro almost complete. Kanpu Agra, Meerut & Varanasi next in line.
- All district headquarter will be linked with a four lane roac
- India's longest expressway will soon connect Agra to Lucknow.

### Labour

- Friendly labour policies.
- Time bound service delivery – Disposal of all the applications received for registration/modification within weeks from the receipt of the application.
- Compliance from Home – Green card holders exempted from inspections for 5 Years.

### Power

- Minimal Procedural dependencies: Removed redundant processes – NOC from Pollution Control Board not required for electricity connection.
- Reduced documentation: Bringing efficiency by streamlining operation – Only two enclosures to be submitted with the application for a new electricity connection.
- Time bound service delivery – Bringing accountability int administration – Electricity connection within 15 days of application.
- 24x7 power to industry through dedicated feeders.
- Major investment in transmission and distribution.



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**KEY FACTS**

- It distributes spare parts of 38 manufacturers in India, such as TVS Group and Rane Group
- It has 80 branches and seven regional offices

helped by its diverse portfolio and pan-India reach. Its turnover grew from ₹326 crore in 2011/12 to ₹375 crore in 2013/14. Net profit saw a minor drop – from ₹14.8 in 2011/12 to ₹13.8 crore in 2014/15.

In 2014/15, revenue grew just 3 per cent. In its annual report, it cites the reason as "no improvement in mining activities". This is because around 40 per cent of revenue come from HCVs used in mining and other infrastructure activities. "While sales have fallen in HCV and tractor segments, we have grown in multi-utility, sport utility and passenger car segments," says Managing Director Deepak Arora.

But the company has had a healthy return on equity of 13.5 per for the past three years. It has also managed to keep its finances in order despite slow revenue and profit growth. It had a debt of ₹7 crore in 2013/14. In 2014/15, it finally became debt-free.

The company, started in 1927, has 80 branches and seven regional offices. It distributes 15,000 parts across 38 product lines. "We have our own warehouses. The customer does not have to come to us. We send our sales agents to retailers for taking orders," says L.K. Nagpal, General Manager (Purchase). The company has over 300 sales persons. While the company's service-focused model is a plus, it also has transparent pricing policies that give it credibility.

The company distributes spare parts of 38 manufacturers. Some of the bigger partners are the TVS group, Rane group, Amalgamation group and Anand group, among others. ◆

*@dipak_journo*

Sprouting success: Ajeet Seeds MD Sameer Mulay at the Aurangabad factory

RACHIT GOSWAMI

**BEST SME- AGRICULTURE**

# Seeding Growth

## Ajeet Seeds aspires to be a ₹1,000-crore company in the next three years.

By AJITA SHASHIDHAR

In 1996, Sameer Mulay's destiny was sealed over an evening cup of tea with his father. The then civil engineering aspirant, who was planning to join the family construction business, escaped the concrete jungles and stepped into the open green fields to nurture his father's passion, and Ajeet Seeds.

After completing his graduation from the College of Agriculture, Pune, in 2001, Mulay started working for the Aurangabad-based company. "My father had forayed into the seeds business purely out

of passion and was struggling. He wanted me to get professional training in agriculture so that I could help him run the business," recalls Mulay. Today, the 37-year-old MD of Ajeet Seeds feels it was the best thing that could have happened to him.

When he entered the business, it was a ₹18-crore business. "My father used to invest money from the construction business into the seeds business but his friends would discourage him to do so," he says. Mulay worked very hard in the subsequent years to make Ajeet a ₹422-crore company by 2013/14, and, hopes to breach the ₹1,000 crore-mark in the next three years, considering that he says it is now a ₹700-crore entity.

One of the largest producers of cotton seeds, including hybrid variants, Ajeet caters to 15 Indian states. And, innovation has been key to its success. Like any other company in the seeds business, it had to indigenously come up with variants that would fend off pest attacks. However, for a company based in the rain-starved Marathwada region, the bigger problem was water.

In 2006, Mulay launched Ajeet 155, a genetically modified (GMO) seed, which could survive both pest attacks and grow in conditions with less moisture, in collaboration with Monsanto Mahyco. While the earlier variant, Ajeet 11 could keep away bollworm attacks, which affects 70 per cent of cotton crops in India, Ajeet 155 not only kept the pests at bay but was also tolerant to sucking pests. "A farmer who uses Ajeet 155 needs to do a pest control spray only once, compared to other seeds that would require pest control sprays at least four times. This helps the farmers immensely," says Mulay.

The Ajeet 155 launch got the company back to profitability in 2008, and the period 2009 to 2013 turned out to be its best years, growing consistently by 10-15 per cent year-on-year. Jagannath V. Kale, a seed distributor, says: "Its focus on quality has given it a clear advantage over competition. It produces seeds as per the farmer's needs and that has worked in its favour."

However, according to G.V. Bhaskar Rao, MD, Kaveri Seeds, the biggest challenge for Ajeet is its over dependence on cotton. Mulay agrees: "I had realised it way back in 2006 and, therefore, forayed into seeds such as bajra, corn, wheat and vegetables. Despite doing so, almost 70 per cent of the company's revenue today still comes from cotton." He is determined to reduce it to 50 per cent in the next three years.

Mulay has been tying up with foreign universities to develop paddy, corn and vegetable seeds since 2011. "We want to first make our research base strong. It takes five years to evolve a hybrid for any crop," he says. In 2012, Ajeet started a rice research station in Hyderabad. "We should be ready for all variants of rice in two years that may be in demand from any part of India."

Droughts and fluctuating cotton prices have strengthened Mulay's intent even more to diversify. As cotton prices fell 50 per cent in the past year to ₹3,000 per quintal, farmers preferred to plant pulses as first rains arrived in June, as it was a more lucrative proposition. Hence, the acreage of cotton dipped 20 per cent this year. It's a different matter that after the June downpour, the rain gods have completely evaded the Marathwada region. "We need to take care of this last moment changes in cropping patterns, for which we need a basket of products," says Mulay, adding that his revenues could dip slightly this year.

Mulay wants to make Ajeet resistant to such uncertainties by launching new products. "We are coming up with seeds that require less moisture and are tolerant to drought." Raj Barwale, MD, Mahyco Seeds, says, Ajeet has already established itself as a quality seeds company, but it must attract good talent and build a professional team. "It is now looked upon as an organisation where the owner calls all the shots. Now it should make itself aspirational to attract good talent," he says. ◆

@AjitaShashidhar

## Ajeet Seeds

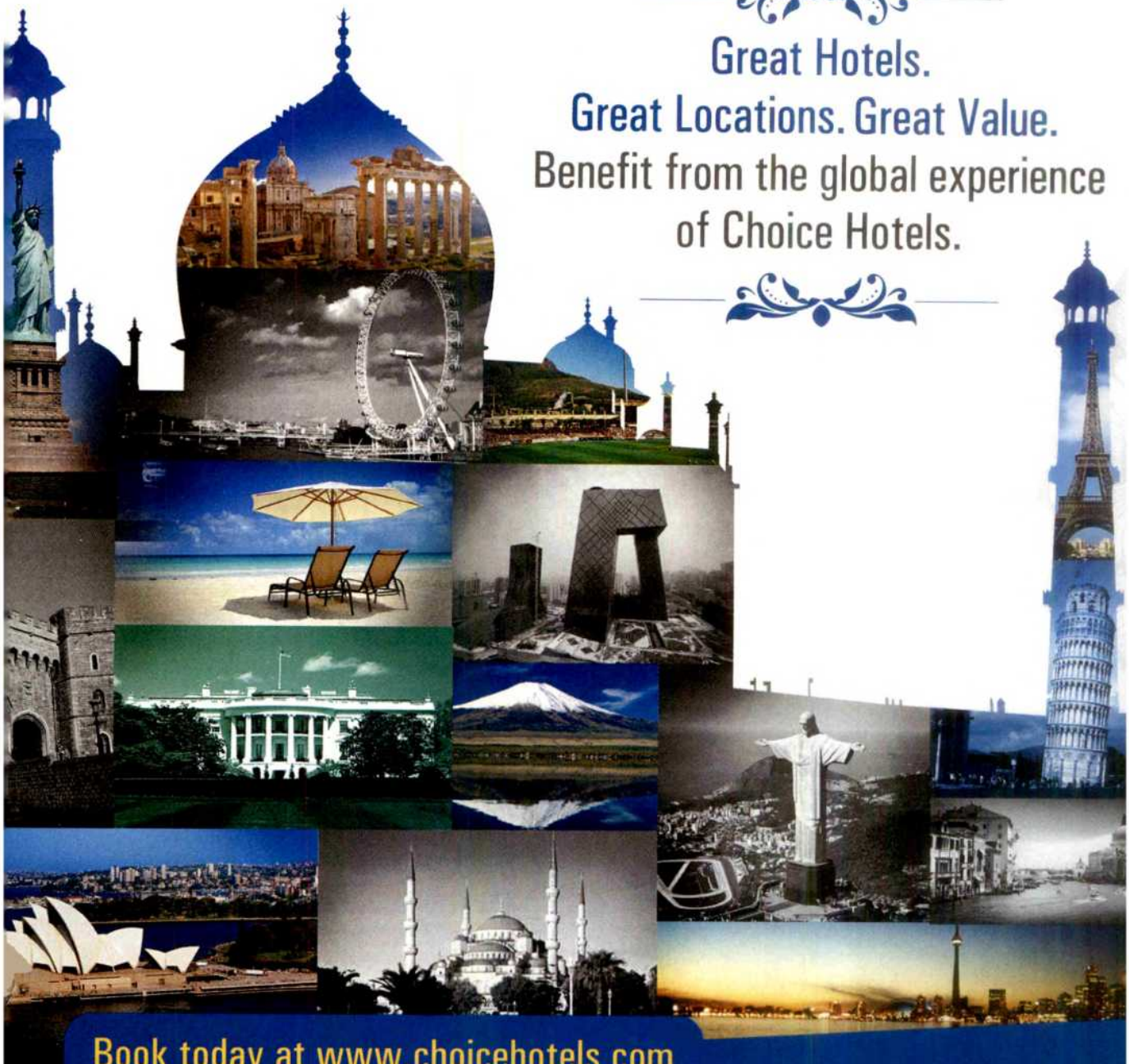
Aurangabad

| | |
|---|---|
| Topline growth: | 41.8% |
| Bottom line growth: | 58.1% |
| Networth growth: | 65.5% |
| Net profit margin: | 11.8% |
| RoCE: | 23.5% |

*All numbers are 3-year averages

**KEY FACTS**

- Ajeet Seed is one of the largest producers of cotton seeds, with presence in 15 states
- Its growth has been driven by innovations like Ajeet 155, a GM seed that is resistant to both bollworm and sucking pests
- In 2006, the company diversified from cotton into paddy, corn and vegetable seeds



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Going global: NFPIL Chairman Nitin Shah

S. KUMAR

BEST SME- GLOBAL BUSINESS EXCELLENCE

# Fire in the Belly

Nitin Fire Protection Industries plans to expand its footprint through new acquisitions and become a billion-dollar company by 2020.

By ALOKESH BHATTACHARYYA

Most companies have a breakthrough moment – something that puts them on the path to their true potential. For Mumbai-headquartered Nitin Fire Protection Industries Limited, or NFPIL, – a provider of fire solutions ranging from basic fire extinguishers to sophisticated fire protection systems and gas-based fire suppression systems – that moment came in 2004, when Siemens India pulled the plug on Nitin's distributorship. "That's when we started getting our international approvals," says Rahul Shah, Director at NFPIL and Chairman Nitin Shah's son. "If Siemens had not walked away, we would not have gone overseas. We would have been confined to India."

Getting international approvals for fire protection systems was not easy – it took NFPIL six to seven years to get them. Primary among the approvals include the ones from Underwriter Labs of US and Factory

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Mutual of UK. Starting with exporting to the UAE in 2012 – today it has its own manufacturing there as well, apart from four plants in India – the company started exporting its products to countries as far apart as Malaysia, UK, and Turkey. So successful has it been in the past three years that exports now account for more than 70 per cent of its revenues of ₹457.74 crore (standalone, in the year ended March 2014), and growing at an astounding three-year average of 80 per cent-plus. In consolidated terms, its revenues were ₹1,016 crore in 2013/14, with net profits of ₹66.5 crore.

It's goal? "We want to be a billion-dollar company by 2020," says Nitin Shah. That's huge growth in five years, not an easy target. So, how does NFPIL aim to do that? By growing organically and also by acquiring companies in the Gulf, Europe and Africa. "Certainly, the growth looks possible going by their numbers," says Suganya Rajan, Industry Analyst, Energy and Environment Practice, Frost & Sullivan. "They have an order book of about ₹2,000 crore; they are also working aggressively for the World Expo 2020 in Dubai." Rajan, however, is unsure of the potency of the acquisition strategy, because while the outlook for the industry in Europe isn't that good and companies might be willing to sell off, the picture in the Gulf and in Africa is quite different. "I'm not sure if companies there would be willing to sell off to Nitin," says Rajan.

If NFPIL reaches $1 billion revenue, it would be quite an achievement for Nitin Shah, who started the business by maintaining portable extinguishers in offshore oil drilling rigs and power plants in 1984. His first order for supply of extinguishers came from the Department of Atomic Energy. Value: a princely ₹10,000.

## Nitin Fire Protection Industries

Mumbai

| | |
|---|---|
| Topline growth: | 49% |
| Bottom line growth: | -6.9% |
| Export growth: | 80.1% |
| Net profit margin: | 4.4% |
| RoCE : | 4% |

*All numbers are 3-year averages

Thereafter, the company started making strides in India. From fire extinguishers, it moved to making fire suppression and detection systems. It got its first really big order in 1995, to protect the telecommunication sites of Tata Teleservices in Hyderabad, for ₹1 crore. Its turnover at that point was ₹88 lakh.

"We have installed more than 4,000 systems in telecom towers in India," says Rahul, for companies including Idea, Vodafone, Aircel and Dishnet. From telecom, NFPIL moved to protecting server rooms, data centres, control rooms of oil refineries, offshore platforms, and manufacturing plants of pharmaceutical and automobile companies, among others. "Every year we get about 200 customers, 50 of which are repeat customers," says Rahul. It counts among its customers companies such as Glenmark Pharma, Maruti Suzuki, Indian Oil Corporation and BPCL, among several others. It's not easy getting business in an industry where NFPIL competes with the likes of global giants UTC, Honeywell, Tyco and Siemens. Frost & Sullivan's Rajan pegs the Indian market for automated fire protection and suppression systems at about $2 billion (₹13,000 crore), and growing at 5-6 per cent currently. However, she predicts the market will pick up pace in 2016, and will grow at a CAGR of 8-9 per cent till 2020, driven by the growth in retail, commercial real estate, education and construction sectors.

**KEY FACTS**

- The Mumbai-based company is a leading player of fire protection systems in India
- It provides fire protection for critical assets in different industries - oil refineries, power plants, nuclear plants, etc.
- It has a foothold in UAE, UK, Malaysia and Turkey as well

But exports is where NFPIL has really cracked the code. Its biggest customer is in Malaysia – Tenaga Nasional Berhad or TNB, the country's state-owned and largest power company. Malaysia contributes 40 per cent to NFPIL's exports, and TNB contributes the bulk of it. NFPIL had applied for registration as a fire systems provider in 2007, informs Jude Pereira, who runs distribution for NFPIL in Malaysia. The approval was received in 2012 and starting early 2013, about 300 systems have been installed by the company in TNB's sub-stations. Pereira is confident of future growth as well. "Lots of new development is happening in Malaysia compared to Singapore and Thailand," he says. "TNB is also adding 1,000 sub-stations every year." And NFPIL can hope to bag some of them, going forward.

The fire in NFPIL's belly is likely to only get stronger. ◆

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# Rethink printing for your business!

HP's business inkjets – the perfect answer for your organization's printing needs. Laser-like printing at half the cost![*]

The office has been dominated by laser-based technology for decades, which is considered to be the robust solution for meeting businesses' printing needs.

However, HP's innovations in printing technology - HP OfficeJet Pro X and HP OfficeJet Enterprise X series printers can give you amazing productivity and cost benefits making the impossible possible for your business! Thanks to the revolutionary HP PageWide Technology – the company's next-generation printing platform which delivers high-quality professional documents at up to 70 pages per minute – making HP OfficeJet Pro X and HP OfficeJet Enterprise X series the world's fastest desktop printers.[1,2]

## Ink in your office - Myth busters

Many people still have the misconception that inkjet printers are more suited for home printing and not businesses. This is simply not true.

HP has specifically designed the OfficeJet Pro & OfficeJet Pro X series to meet the printing demands of businesses—particularly in the areas of low cost of ownership, laser-like print quality, performance, and reliability.[*] These printers have manifold benefits in the workplace.

**Myth 1: Ink in the office is expensive** - It's time to put this number one myth to rest because it's simply not true. For instance, HP OfficeJet Pro printers boast up to 50 percent reduction in cost per page and running cost as compared to competitive laser printers. Moreover, HP OfficeJet Pro products also rank high on energy efficiency using up to 50% to 80% less energy than equivalent laser printers.[*]

**Myth 2: Inkjets just don't perform as well** - The fact is, HP OfficeJet Pro printers deliver laser-like prints and are designed specifically to withstand business-class recommended monthly print volumes with duty cycles ranging from 15,000 to 75,000 pages per month and print speeds ranging from 30 to 70 ppm (pages per minute).[1,2]

**Myth 3: Laser printers provide better quality printing than inkjets** - At HP, print quality is No.1 priority. Ink cartridges used in the HP OfficeJet Pro printers feature quick-drying, fade resistant, water proof and long-lasting pigment inks that offer highly durable, professional print quality lasting for over 100 years. [3]

**Myth 4: Inkjets just aren't made for business—and certainly not for IT managers** - The cost savings and desktop design might make one think that HP OfficeJet Pro printers aren't up to the demands of a network. But in reality, these small but mighty machines are designed specifically for the IT managed workforce and integrate seamlessly into office printing environments—managed or unmanaged. These printers offer the same manageability and security feature as the legendary HP LaserJets making it as easy as ever to process workflow, manage your network and keep your business running smoothly.

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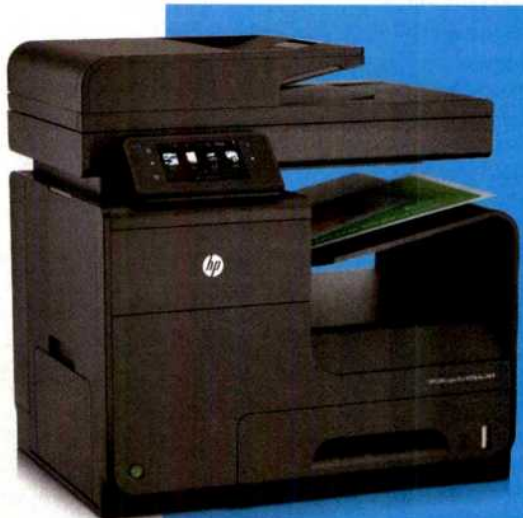
- Higher productivity with prints at twice the speed of color lasers.[1,2]



"HP's innovations in printing technology are set to transform the office printing environment for Indian businesses. SMBs and Enterprise have told us that they require technologies to improve efficiency and reduce costs, and that's exactly what these devices do. They are simply designed for business."

These innovations offer laser-comparable, robust performance along with affordability, which will empower businesses to decrease running costs and greatly increase productivity, thereby driving the adoption of Inkjets in Indian offices."

– Parikshet Singh Tomar, Country Category Leader, Printing Systems, PPS, HP India.

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rld's most preferred printers claim based on worldwide printer marketshare, and HP printer brand awareness, consideration and preference study in 9 markets 2014. *OfficeJet Pro X Series: Claim is based on the majority of color r MFPs <$1000 USD and color laser printers <$800 USD as of February 2015, based on market share as reported by IDC as of Q4 2014; OfficeJet Pro 8100 and 8600: Majority of color lasers www.hp.com/officejet. Cost per page P) comparisons for laser supplies are based on published specifications of the manufacturers' highest capacity cartridges. HP Officejet CPP based on high-capacity HP 970XL/971XL, 950/951 XL and standard-capacity HP 980 artridges estimated street price, published yield for color prints and continuous printing in default mode. Actual prices and yields can vary. See www.hp.com/go/learnaboutsupplies. 1. OfficeJet Pro X Series: Majority of color laser Ps <$1000 USD and color laser printers <$800 USD as of August 2013. For details, see hp.com/officejet. Cost per page (CPP) comparisons for laser supplies are based on published specifications of the manufacturers' highest-acity cartridges. HP OfficeJet CPP is based on high-capacity HP 970XL/971XL, 950/951 XL, and standard-capacity HP 980 ink cartridges estimated street price, published yield for color prints, and continuous printing in default de. Actual prices and yields can vary. See hp.com/go/learnaboutsupplies. 2. Comparison based on manufacturers' published specifications of fastest available color mode (as of August 2013) and includes color laser MFPs <$1000 D and color laser printers <$800 USD available August 2013 based on market share as reported by IDC as of Q2 2013 and HP internal testing of printer in fastest available color mode (sample 4-page category documents tested n ISO 24734). For more information, see hp.com/go/printerclaims. 3. Fade resistance based on paper industry predictions for acid-free papers and Original HP inks; colorant stability data at room temperature based on similar tems tested per ISO 11798 and ISO 18909. Water-resistance based on HP internal testing, using paper with ColorLok® logo. 4. Compared with the following: OfficeJet Pro X series: Claim is based on the majority of color laser MFPs 000 USD and color laser printers <$800 USD as of February 2015, based on market share as reported by IDC as of Q4 2014; OfficeJet Pro 200 series: Majority of color laser AiO's <$500 USD and color laser printers <$300 USD f September 2012; OfficeJet Pro 8610/20/30: Majority of color laser AiO's <$500 USD and color laser printers <$300 USD as of October 2013. OJ Pro with highest-capacity cartridges. Energy use based on HP testing. For details, www.hp.com/go/officejet. © Copyright 2015 HP Development Company, L.P.

**Thrust on innovation:** Newgen's Diwakar Nigam

VIVAN MEHRA

BEST SME-OVERALL/ SERVICES

# Consummate Communicator

Building products which people could use to work together has taken Newgen Software ahead. By JYOTINDRA DUBEY

The odds against him were formidable when Diwakar Nigam set up Newgen Software Technologies in the early 1990s. Indian software services companies were beginning to make a mark, but Indian software product companies were unknown. The market was dominated by global heavyweights such as Microsoft, Oracle, SAP, IBM and others. "It was very tough initially," he says. "There was a lot of resistance from companies to our products."

Delhi-headquartered Newgen specialises in products and solutions relating to Business Process Management (BPM), Enterprise Content Management (ECM), Customer Communication Management (CCM), Document Management Systems (DMS), Workflow and Process Automation (WPA). "From the start, we wanted to build products which people could use to work together no matter where they were based," Nigam adds. "Our company motto is 'One World, One Workplace'."

But the odds have long been overcome. And today, Newgen has a customer base of over 450 at more than 1,000 installations in over 50 countries. Around 70 per cent of its revenues come from outside India, the US topping the list of foreign clients with 29 per cent, followed by West Asia at 28 per cent. It has development centres in Delhi, Noida and Chennai, employing over 1,500 people, plus fully owned subsidiaries in the US, Canada and Singapore.

Its products cover a wide range of industries – banking and finance, which contributes more than 50 per cent to its revenue, along with healthcare, telecom, BPO and shared services. With a compounded annual growth rate of 28 per cent in the last three years, it has earned revenues of ₹241 crore in 2013/14, while net profit rose from ₹6.8 crore in 2010/11 to ₹42 crore in 2013/14.

Nigam is a first-generation entrepreneur, with a post graduate degree from IIT Madras, who spent two years at HCL before plunging into his first entrepreneurial venture in 1978. Newgen is his second effort. "We recognised early that the Internet would play a vital role in businesses and built our products around it," he says. Digitising paper documents was a major task in those early days and Newgen's first break came from Canon, which licensed its document processing software. The Japanese company, in turn, supplied this technology to CitiBank in India and, thereafter, there was no looking back for Newgen.

"We were looking for an ideal technology partner to support our rapid business expansion plans and Newgen matched our requirements perfectly," says V. Krishnan, Senior Vice President, IT, L&T Financial Services. "Its BPM solution helped us centralise our retail lending operations, cut operational costs and reduce process cycle time, which in turn, gave us the necessary operational agility to scale up and enter new markets."

With its sustained focus on innovation, Newgen invests a huge amount on research and development. It keeps enhancing and innovating its products to keep pace with industry developments, adding stronger capabilities to existing products and developing new ones in emerging technologies such as mobile and web applications. ◆

## Newgen Software Technologies

**New Delhi**

| | |
|---|---|
| Topline growth: | **27.8%** |
| Bottom line growth: | **90.6%** |
| Networth growth: | **30.9%** |
| Net profit margin: | **14.4%** |
| RoCE: | **24.7%** |

*All numbers are 3-year averages

**KEY FACTS**

- Newgen is into Intelligent Business Process Management (BPM), Enterprise Content Management (ECM), and Customer Communication Management (CCM).
- It has businesses across continents and its customers include the likes of Astra Zeneca, Caterpillar, Citibank, Coca-Cola, Dow Jones, Electronic Arts, Aadhar-UIDAI, Airtel, Bajaj Allianz, and Deutsche Bank.
- In February 2014, Newgen raised ₹100 crore from IDG Ventures and private equity firm Ascent Capital for an undisclosed amount
- It recently launched a mobile medicare enrollment solution for Health Plan

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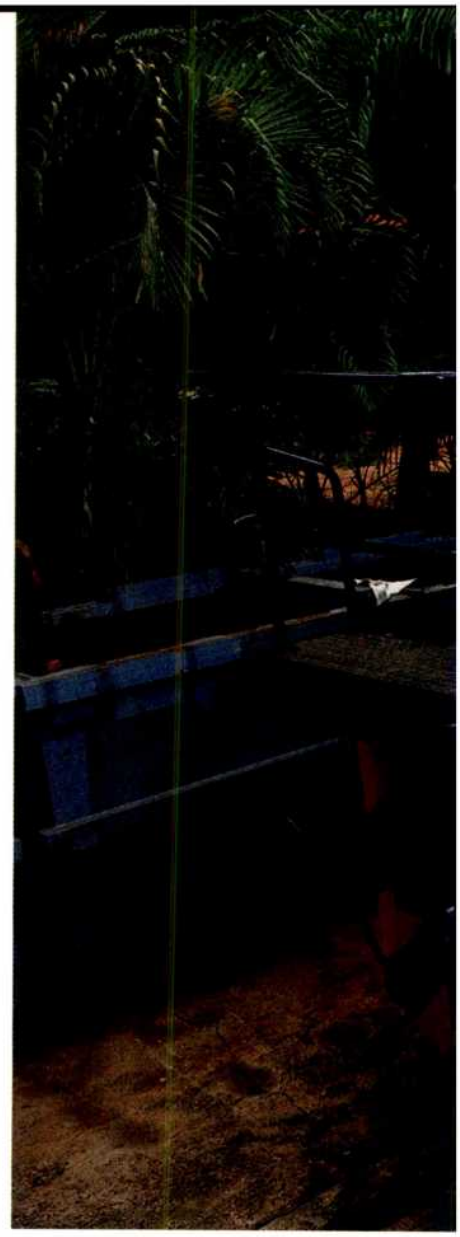
BEST SME-MANUFACTURING

# The Master Trainmaker

San Engineering and Locomotive has done well in a difficult environment.

By VENKATESHA BABU



Bengaluru's Whitefield suburb hosts campuses of top technology companies, both domestic and multinational. These include GE's Jack Welch Technology Centre, Huawei's R&D facility and offices of SAP, TCS, Microsoft, iGate and numerous others who have helped India build its technological prowess.

This chaotic area, a Mecca of services companies, is an unlikely setting for a manufacturing company to thrive. But this is exactly what San Engineering and Locomotive (SEL) has done. SEL may be small, but is pugnacious and has taken on the competition. The company, which calls itself the only 'organised private sector rail vehicle manufacturer' in India, has shown impressive growth during the last five years.

SEL was incorporated in 1969 by two railway engineers. The current management "took over the company in the mid-80s", says Narayanan Ramanathan, the rather taciturn Chief Executive of the company. SEL has a large 32-acre land parcel in the area where it makes over 500 types of gear boxes for varied applications, apart from locomotives, transmission systems, shafts and axle drives. Its gears — spur, helical, bevel and planetary — are used by cement, steel, sugarcane and defence companies. They are also used in cranes and windmills.

## San Engineering & Locomotive

Bangalore

| | |
|---|---|
| Topline growth: | 27.7% |
| Bottom line growth: | 27.9% |
| Net worth growth: | 34.1% |
| Net profit margin: | 14.2% |
| RoCE: | 29.4% |

*All numbers are 3-year averages

In locomotives, it builds diesel hydraulic, diesel electric and special locomotives, including flame-proof and narrow-gauge models. For the defence sector, it produces planetary gear boxes used in battle tanks.

SEL, which counts Indian Railway, ACC, Tata Steel, BHEL and BEML among its marquee customers, delisted from the bourses in 2005. In the past four years, its revenues have grown by 250 per cent and were $30 million in 2014/15, says Ramanathan. The growth has been driven by newer segments, expansion of the product portfolio and emphasis on after sales and support.

"Today we get approximately 20 per cent revenues from after sales and support. We want to take it to 50 per

**Riding to glory: SEL CEO** Narayanan Ramanathan

NILOTPAL BARUAH

**KEY FACTS**

- It builds diesel, hydraulic, diesel electric, and special locomotives, including flame-proof and narrow-gauge models
- It also makes gear boxes for use in locomotives, transmission systems, shafts, axle drivers

cent," says Ramanathan. He says their products are 'well-engineered and built to last.' The company also has a manufacturing unit in Mysore. While the Bengaluru plant is for hydraulic and electric locomotives, special vehicles, power packs and drives, the Mysore unit focuses on producing all kinds of gears & gearboxes apart from Cardan shafts. SEL employs about 500 people at these two locations.

Exports is another area the company wants to focus on. "We have in the past exported to several African countries and the Middle East. However, this is where as an SME we hope that some government support and handholding is forthcoming," says Ramanathan.

A case in point is a recent order, worth Rs 56 crore, from the Sudanese government. The size of the order was almost a quarter of the company's annual revenues. However, no financial institution was ready to fund the company because of the current unrest in Sudan and sanctions on the government there. Consequently, the company could not execute the order.

"While on quality we are on a par with the best in the world, we still suffer. China, for instance, supports its exporters by offering preferential credit to those who buy from its exporters," says Ramanathan.

The company has expansion plans. It is in the process of installing a press for precise assembly of wheel sets and is also setting up a state-of-the-art fabrication facility for main frames, bogies and other parts. Then, another fabrication facility for its subsidiary, San Motors, is being modernised.

The good thing, says Ramanathan, is that when they wrote to the Prime Minister's Office on the issue of the Sudanese order, they received a response directing them to the Ministry of External Affairs, "which is more than what we got in the past."

"If India's 'Make in India' aspirations have to become a reality, things for players like us need to improve," says Ramanathan. One can hardly disagree with that. ◆

@venkateshababu

BEST SME- TRADING

# Game, Set and Match, Cravatex

Rajesh Batra quit professional tennis to join his father's business and turn it into a ₹100-crore fitness product distributorship. By ALOKESH BHATTACHARYYA

"We will never be able to match the might of the big boys, but there will always be a niche." Rajesh Batra has always been practical. Whether it is now, when he talks of sportswear brand Fila – his company Cravatex is its official distributor – and how it is up against the likes of Nike, Puma, Adidas and Reebok. Or whether it was 37 years ago, when he quit professional tennis to join his father's business.

He was merely 22 then, and he had achieved a rank of No. 6 in India in the early 1970s. But that wasn't good enough for him. "I figured that unless you can make top 50 in the world, there's no point in playing," reminisces Batra, now Chairman and Managing Director of Cravatex. And that, he reckoned, was a tall order.

Having quit professional tennis – he still plays with his buddies at the CCI in Mumbai – he joined his father's textile processing business in 1978, split with the partners in a few years, and with younger brother Rajiv – also a tennis player – launched sportswear brand Proline in 1983. Today, in addition to Proline, Cravatex distributes Wilson tennis racquets (earlier it had the licence for Prince racquets), Taiwan's Johnson Health Tech's fitness equipment, Fila's sports goods, and Polar's heart rate monitors. The choice of getting into the sports equipment business was easy. "It resonated with the kind of people we were," says Batra.

**KEY FACTS**

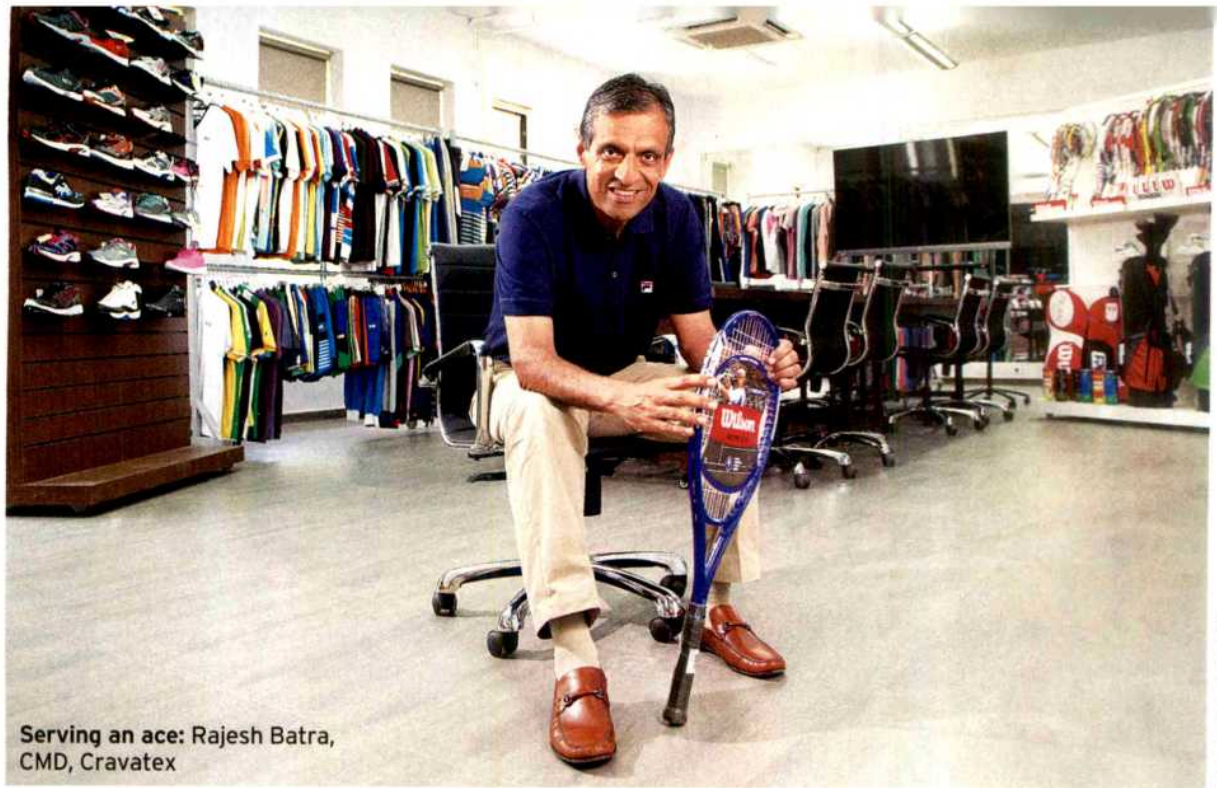
- Cravatex is into retail, brand licensing, sourcing and distribution of fitness products
- The major chunk of its business - more than ₹100 crore - comes from Italian sportswear brand Fila
- Eighty per cent of Fila sales for Cravatex in India are from sports shoes, which it imports Chinese Fila-approved factories
- Cravatex also supplies fitness equipment to gym chains like Talwalkars and Gold's Gym, plus housing societies and others

The past three years leading to March 2014 have been particularly good, with its top line growing at an average 28 per cent to ₹189.4 crore in 2013/14. While net profit has been low (₹4.12 crore in 2013/14) and slipping (three-year average growth of negative 8.6 per cent), net profit margin has averaged 3.9 per cent over the past three years.

The major chunk of Cravatex's business – more than ₹100 crore – comes from Fila, the 1911-founded Italian sportswear brand that is now owned by Yoon-Soo Yoon, who was once its Korean licensee. Cravatex has the licence to sell Fila products in India and other countries of South Asia. A leading sports brand in the early 1980s, Fila is still strong in places like China and Hong Kong, but has negligible presence in India.

And that too has come about only since 2010, when Cravatex signed a five-year licensing deal with Fila, and followed up with a really long-term, 30-year deal in 2013. "I told the brand owner that if we have to be relevant, we have to think long term." It worked, and Batra is hopeful of taking it further, though he still remains grounded.

It's not difficult to understand why. Having started late, Fila has just 35 stores in India – 17 are rented and run by Cravatex; rest franchised – whereas the likes of Nike, Adidas, Puma and Reebok have stores in the



**Serving an ace:** Rajesh Batra, CMD, Cravatex

RACHIT GOSWAMI

hundreds. Then, brand Fila is not consistent across countries – so consumers who travel abroad find a different Fila in India from, say, the US or China. That is because Fila's licensees are free to themselves design and manufacture sports shoes, apparel, etc., after taking approval from Fila's design centre. "We buy some things that are standard throughout the world," says Batra. "Fila is known for tennis, skiing – so tennis products we carry what the global line is. But otherwise you've got to tailor-make to local preferences."

In fact, Fila licensees across countries can also buy from one another if they like a particular product. "Especially in apparel, Cravatex is one of the most innovative partners we have globally," says Jon Epstein, a Fila board member and President of Fila US. "Most recently we launched a massive programme with Urban Outfitter, one of America's most trendy retailers. The product is selling with great success."

Eighty per cent of Fila sales for Cravatex in India are sports shoes, which it imports from Fila-approved factories in China. Fila-branded apparel and slippers are outsourced to Indian factories.

Batra, of course, feels that Fila having 35 stores is the biggest upside to Cravatex, because once he takes the stores up to about 150, it will drive profit growth for the company. To that end, over the next 3-5 years, Batra wants to increase apparel's share in Fila sales from 15 per cent to 35 per cent, because "margins are better on apparel. Secondly, it's made domestically so you don't have the exchange rate fluctuation problem".

He is betting on both online and offline retail for growth. Currently, 20-25 per cent of Fila sales comes from online. "There is huge scope online – they (Amazon, Myntra, etc.) are growing phenomenally, and we are growing with them," says Batra. "Offline players are also expanding. Reliance Footprint is opening stores, Metro Shoes, Planet Sports, Shoppers Stop, Lifestyle – as they open more stores, we grow with them."

In the fitness business, Cravatex has approached Johnson Health Tech with the idea of setting up manufacturing in India, as that would help Johnson diversify its manufacturing, and also make it more economical for Cravatex. Currently, Cravatex sells Johnson treadmills and other fitness equipment at 50 Proline Fitness stores across India. It also employs 110 engineers to provide after sales service to customers – including gym chains like Talwalkars and Gold's Gym, housing societies and others.

Batra is hopeful of growing Cravatex's businesses by 15-20 per cent each year. That is not way off the mark, considering that a report by Images F&R pegged the ₹6,000-crore sportswear market in Indian to be growing at 13 per cent annually. ◆

## Cravatex

Mumbai

| | |
|---|---|
| Topline growth: | 28.2% |
| Bottom line growth: | -8.6% |
| Networth growth: | 19.6% |
| Net profit margin: | 3.9% |
| RoCE: | 10.6% |

*All numbers are 3-year averages

@alokeshb

BEST SME- AGRICULTURE

# Assam Tea's Flagbearers

Rossell India shrugs off the effects of climate change to beat Assam average.

By ANIK BASU

ANINDYA SAHA

**Serving it hot:** Rossell India's Chirinjiv Bedi

Conventional wisdom says if an agri-business is hit by both droughts and floods, it is best to weather the storm before venturing out. Rossell India, which has the lion's share of its revenues coming from tea, has dealt with the twin blows at its plantations in Assam, but still says it will not stop acquisitions in the state, which is either grappling with too much rainfall or too little. There are reasons for Rossell's boldness – a 23.7 per cent average growth over the past three fiscals, with an accompanying 20.4 per cent rise in net profits.

"Does a farmer stop sowing paddy because of floods or poor rains in the previous year?" asks Chirinjiv Bedi, Managing Director, Rossell India, a 47-year industry veteran who believes "climatic change" in the state is the biggest challenge for planters. "We did look at an acquisition in Malawi, but have now taken a conscious decision to stick to Assam."

A Kolkata-based aviation products-and-tea manufacturer, Rossell India has seven gardens in Assam – four of them in the northern districts

## Rossell India

Kolkata

| | |
|---|---|
| Topline growth: | 23.7% |
| Bottom line growth: | 8.8% |
| Networth growth: | 18.1% |
| Net profit margin: | 20.4% |
| RoCE : | 10% |

*All numbers are 3-year averages

where floods devastated its estates this August, while two are in Jorhat district that was crippled by a severe drought last year. But the company is unfazed, and wants more gardens. "If the right property is available, we will buy it right now," says Bedi.

It is a "very wise decision," reflects Sumon Majumder, General Manager (Marketing and Exports), Darjeeling Impex, a Kolkata-based company that owns the Borokai tea estate in Cachar in Assam. "Assam has always been less risky for tea growers despite the climate," says Majumder, who also feels Rossell's turnover of ₹140 crore last fiscal, though lower than the previous year, was "very good for a tea company".

Bedi prefers Assam because growing leaves and manufacturing tea are both more "standardised" compared to the Darjeeling hills.

V. Chaitra Narayan, Associate Director, Chemicals, Materials and Food at industry tracker Frost & Sullivan, is sceptical about locating of all plantations in a state impacted by climatic extremes. "If a company has all its gardens in Assam, which is a rare case, it would definitely be making losses that year," she says.

And Rossell indeed has seen the elements taking a toll on its bottom line. Its crop yield fell 12 per cent, pulling down its gross revenue a tad lower from ₹141.43 crore in 2013/14 to ₹140.49 crore in March 2015. The rainfall was the worst in 80 years, weakening the bushes and pushing up input costs. What also had an impact were the depreciation norms under the Companies Act 2013, and the ₹21 increase in wages per man hour, along with the statutory outgoes that came in force this January.

For a business that is agriculture-dependent such as that of Rossell, says analyst Chaitra Narayan, it is best to focus on the premium segment and have a "portfolio spread across different products and grade type" to address seasonal emergencies and crop failures.

Bedi says that is exactly what his company has done – focus on quality produce in both orthodox and CTC. As a result, the company has outperformed the market; its average orthodox teas have fetched ₹51 more than the Assam average per kg in 2014/15, while CTC was ₹44 higher.

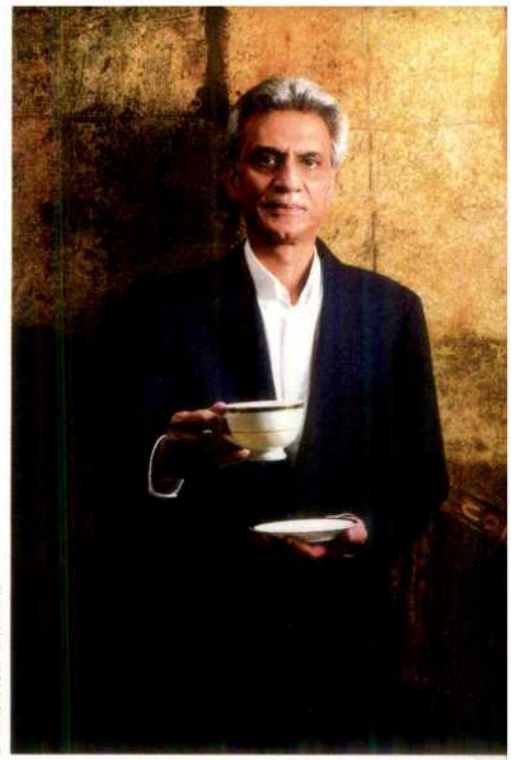
Rossell has also pandered to varied tastes by producing both orthodox and CTC at its gardens: Dikom, Nokhroy, Bokakhat and Namsang concentrate on the former, and Nagrijuli, Romai and Kharikatia on the latter. The "judicious product mix" has been its strategy for years, and helped it exploit the core competence of each garden, says Bedi.

This has come especially handy in meeting the challenges on the export front, as in Iran, where the demand was depressed last fiscal due to over-supply. Therefore, despite a 12 per cent lower output, Rossell saw its exports move north by about 18 per cent to over ₹41 crore, accounting for 30 per cent of its total production across gardens and 40 per cent of its revenue.

The most telling commentary on Rossell's commitment has perhaps been its investment in its tea business – over ₹150 crore in the 20 years under Harsh Mohan Gupta, the Executive Chairman of the company. When Gupta inherited the tea business after separating from his former partners in 1994/95, he got three gardens. He sold one and bought another five, and is eyeing for more. "We are on a tremendous growth path for the next three-four years," says Gupta. "We want to be the best in whatever we do." ◆

**KEY FACTS**

- The Kolkata-based company has diverse interests in tea, aviation, defence technology and engineering, and hospitality
- All its seven tea gardens are in one state – Assam – including four in the northern districts, and two in Jorhat
- Its average orthodox teas have fetched ₹51 more than the Assam average per kg in 2014/15; CTC was ₹44 more
- Its tea exports increased 18 per cent to ₹41 crore



SHEKHAR GHOSH

**"Rossell is on a tremendous growth path for the next three to four years"**

**HARSH MOHAN GUPTA**
Rossell India/ Executive Chairman

*@bt_india*

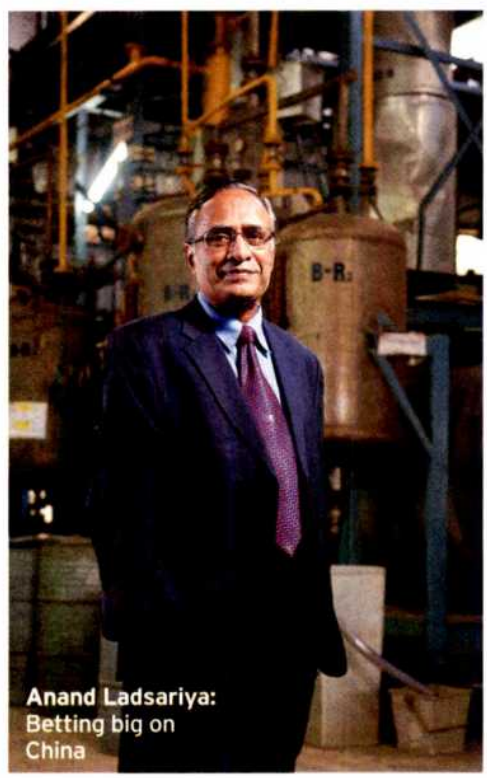
BEST SME- GLOBAL BUSINESS EXCELLENCE

# Oil King

## Demand from China helps Everest Flavours post stupendous growth.

By MAHESH NAYAK

Anand Ladsariya, 57, is a known face in the angel investing community. Since 2007, the founder and Managing Director of Everest Flavours has invested Rs 6.5 crore in 60-odd companies, including OYO Rooms, GreenDust and Speakwell. A first-generation entrepreneur, Ladsariya started his entrepreneurial journey as a trader in menthol and peppermint oils in the early 1980s as a 25-year-old. The surge in demand for these oils – used in toothpaste, pharmaceuticals, balms, tobacco products & confectionery – over the past three years, especially from China, has helped the company make big gains.



Anand Ladsariya: Betting big on China

RACHIT GOSWAMI

After starting trading operations in 1983, he opened a factory in Mumbai in 1986 that could produce 50 tonnes of menthol crystals. In 29 years, that capacity is now up to 2,500 tonnes. Having started with the domestic market, the company ventured into exports in the 1990s. To mitigate the fluctuating prices of mentha leaves, Everest decided to sell one-third of its produce to Singapore-based Tien Yuan Chemical on the basis of a fixed-formula under a long-term contract. "In 1984/85 we used to import from Tien Yuan; after 1986/87, they started importing from us," says Ladsariya. "Selling one-third of our produce under a fixed formula helps us mitigate risk." Adds C.L. Shih, MD of Tien Yuan Chemical: "Our three-decade-old relationship with Everest has been a win-win situation for both of us."

Today, Everest Flavours exports 95-99 per cent of its products, with demand from China – driven by the country's focus on food crops since 2008 – acting as a driving force. In 2013/14, the company's revenues reached Rs 123.45 crore, and it enjoys net margins of 4-5 per cent.

What are the challenges? "The Chinese slowdown has already impacted us with volumes falling 10-15 per cent," says Ladsariya. In terms of future plans, he says his focus will be on value-added products. "We have started manufacturing blended oil. It will improve margins and increase profitability." Ladsariya hopes the rise in global consumption of consumer products could help grow Everest's top line by 10 per cent and profits by 15 per cent over the long term. ◆

@MaheshNayak

### Everest Flavours

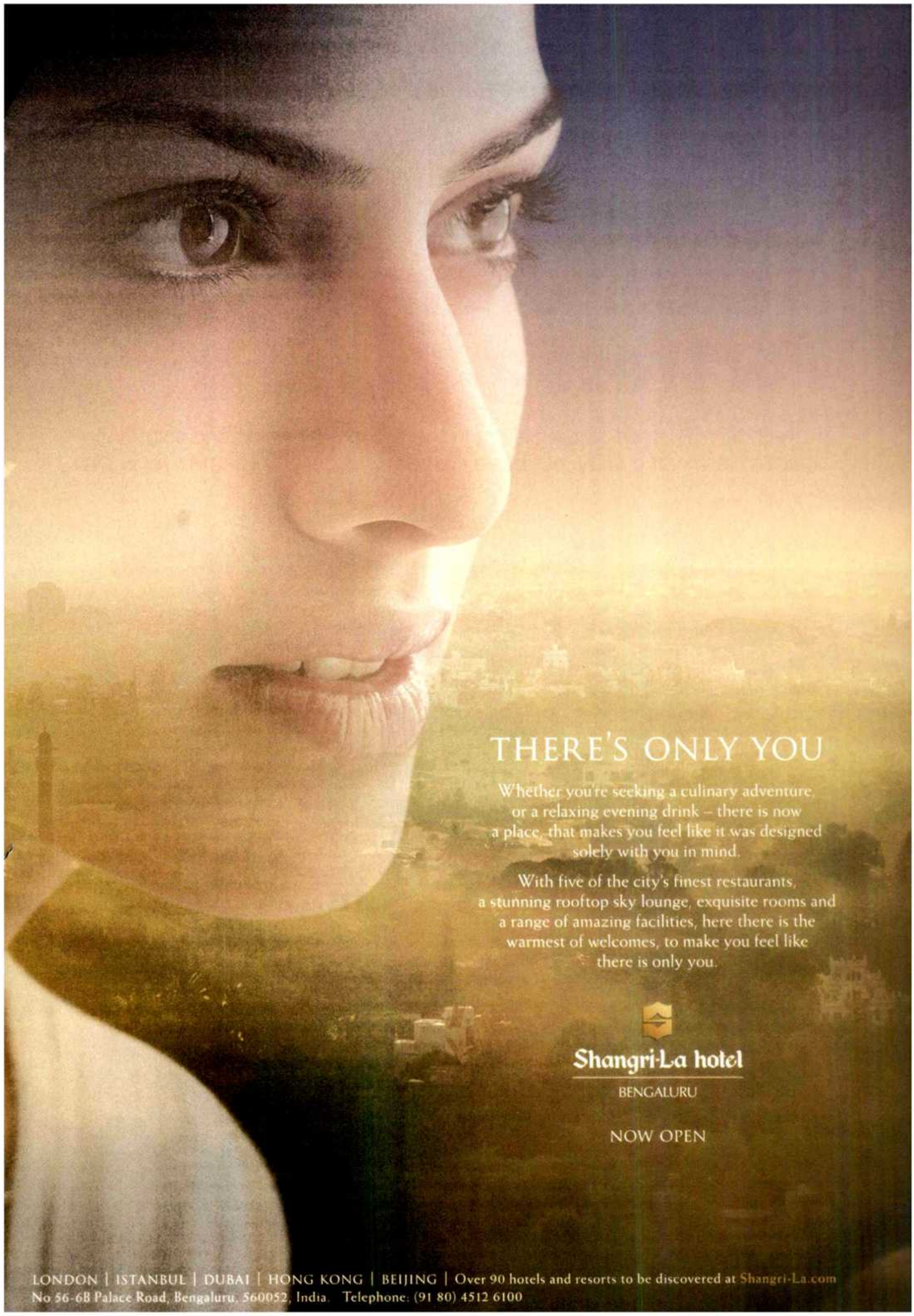
Mumbai

| | |
|---|---|
| Topline growth: | 86.2% |
| Bottom line growth: | -13.2% |
| Export growth: | 115.3% |
| Net profit margin: | 2.7% |
| RoCE : | 5.3% |

*All numbers are 3-year averages

**KEY FACTS**

- Everest Flavours is a manufacturer and exporter of menthol, peppermint oil and essential oils
- China's policy of focusing on food crops has helped Everest
- It has increased menthol capacity from 50 tonnes to 2,500 tonnes in 29 years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BEST SME-OVERALL/ TRADING

# Keeper of the Fortress

Adtech has taken on global majors in the security systems and solutions space in terms of quality, but has a cost advantage over them. By NEVIN JOHN

In the early 1990s, when PCs had just started making their way into businesses and homes, every machine, invariably, would require uninterruptible power supply (UPS) device to safeguard against erratic supplies and regulate the flow of power. To clinch the early bird advantage, M.R. Subramonian, along with his two brothers, M.R. Narayanan and M.R. Krishnan, set up a UPS manufacturing facility. Adtech Power Systems was founded in 1992, at an industrial park run by the Kerala State Industrial Development Corporation in Thiruvananthapuram, in collaboration with an Israeli firm.

However, by the late 1990s, rising competition from the unorganised sector threw the company off-guard with huge debt piling up on its books. Subramonian did not falter. Instead, he decided to branch out into integrated electronic security systems. "During a trip to Tel Aviv, I had seen anti-shoplifting tags and security devices installed at shops. I wrote to the manufacturing company and, fortunately for us, we sealed the deal," he says. Initially, the going was tough. The Adtech management realised that setting up the distribution business would require fresh capital and, at the same time, it would have to settle all its debts.

**KEY FACTS**

- Adtech is a specialist in electronic security systems
- It supplies security products to retail chains like Shoppers Stop, Future Group, Globus, etc.
- It has strategic tie-ups with leading global security companies across the US, France, Germany and Taiwan
- Its employee strength stands at over 120 spread across branch offices and support centres in all major cities in India
- Its range of security systems, includes CCTV, IP CCTV, time and access control systems, fire detection equipment and anti-shoplifting devices

To tide over the difficult times, his experience as a computer hardware professional came in handy. Subramonian, who had completed his graduation in electronics engineering from Bangalore University in 1984, had worked in a Chennai-based computer hardware company. Two years later he had joined his brother Narayanan's company, Transmatic Systems, which was into manufacturing communications equipment and dot matrix printers.

However, the liabilities of the UPS business haunted him for the next three years. "It was only during 2007/10 that we did well and managed to pay back all the loans," says Subramonian. Initially, police departments, hospitals, hotels, and research and development institutions were the company's clients.

Once Adtech was debt-free, it started clocking reasonable profits. Between 2010/11 and 2013/14, the company's revenues grew at an average of 35.3 per cent to ₹76.95 crore, while its profit increased by 31 per cent to ₹6.69 crore. After three years of 27.4 per cent average growth, its net worth stood at ₹23 crore. The net profit margin was 9.7

**All wired up:** The Thiruvananthapuram facility of Adtech Systems

## Adtech Systems

Thiruvananthapuram

| | |
|---|---|
| Topline growth: | 35.3% |
| Bottom line growth: | 31% |
| Networth growth: | 27.4% |
| Net profit margin: | 9.7% |
| RoCE : | 32.1% |

*All numbers are 3-year averages

per cent during the period.

Adtech's employee count is over 120, spread across branch offices and support centres across the country. It has strategic tie-ups with leading global security companies, such as the US-based Tyco Sensormatic, InVue Security, MTX Global and Alpha Security, Shopline in France, Germany-based Mobotix, and Star Vedia in Taiwan, for an entire range of security systems, including CCTV, IP CCTV, time and access control systems, fire detection equipment and anti-shoplifting devices.

At present, the retail segment is the major focus for Adtech and the sector contributes almost 30 per cent to the company's overall revenues. It supplies products to retail chains such as Shoppers Stop, Lifestyle, Globus, Landmark, Star Bazaar and Future Group. It provides display secure solutions for the stores of Microsoft, Nikon, Canon and Samsung in India, apart from a host of big names in the jewellery business. Software companies and banks are also important customers for the company.

Says Prasad Lengade, Project Head, Max Hyper, Landmark Group: "It has superior technology in terms of power saving and longevity, and very good after-sales servicing." The Landmark Group has been buying anti-shoplifting devices from Adtech for the past six to seven years. The Loss Prevention Head of Reliance Industries, Kuldeep Rana, shares Lengade's views. "We have been purchasing display secure systems from Adtech for the past eight to 10 years. The company always deals in upgraded technology in tune with the changing times and keeps adding improved security features to their products. Overall, they are on a par with international players in the segment," says Rana.

**"Overall, Adtech Systems is on a par with the international players in the segment"**

**Kuldeep Rana,**
**Loss Prevention Head, RIL**

Adtech also started exporting to neighbouring countries in 2012. This became a key driver for bringing in more revenues. The share of exports in the overall revenues is around 30 per cent.

Subramonian is planning to expand Adtech's product portfolio to clock 30 per cent annual revenue growth. It has tied up with an Australian firm for intelligent building automation products, which have applications across all customer segments, including residential villas, apartments, hotels, hospitals, private and public enterprise buildings. "World leaders like Schneider and Honeywell are the majors in this segment. We are right there in terms of quality but our product costs are at least 30 per cent less than the others," says Subramonian. Adtech is pursuing business opportunities in alternative energy, including solar, and has formed a separate team in consortium with an Australian firm to diversify further. ◆

*@MaheshNayak*

BEST SME- MANUFACTURING

# The Genie on Your Bottle

Control Print aims to garner 25 per cent market from the present 16-17 per cent in next five years.

By ALOKESH BHATTACHARYYA

RACHIT GOSWAMI

Leaving his imprint: Control Print's Basant Kabra

Have you bought a bottle of mineral water lately? Or a chocolate bar, perhaps? You would notice the small printed matter mentioning the batch number, date of manufacturing, expiry date, and so on. Such printing is done by extremely high-tech, sensitive printers such as continuous inkjet printers or CIJs (for printing on bottles and packages), thermal transfer printers (wafer and biscuit packets), laser printers (auto components, semiconductors, PC components). And companies that make such printers and their consumables are considered part of the coding and marking industry.

"Coding and marking is a legal requirement," says Shiva Kabra, Director of Marketing at Mumbai-headquartered Control Print. "It is also important

**KEY FACTS**

- A Mumbai-based manufacturer of industrial coding printers and inks
- It sells about 1,500-2,000 printers a year, ranging from ₹75,000 to ₹3.5 lakh
- It exports in a small way to Sri Lanka and Bangaladesh, and has bigger plans

for traceability; for instance, printed batch numbers help identify batches in case of a product recall." In the three years leading to March 2014, the company's topline has grown at an average 14 per cent to reach ₹93.8 crore, with net profits of ₹14.1 crore. And in 2014/15, topline has reached ₹112.92 crore and net profit ₹19.15 crore. Margins, too, have improved. "Consumption has grown in India, so the consumer and packaging industries have also grown," says Ekansh Mittal, Founder of Katalyst Wealth, who also owns some stock of Control Print. "These factors have helped Control Print grow."

## Control Print

Mumbai

| | |
|---|---|
| Topline growth: | 13.9% |
| Bottom line growth: | 34.8% |
| Networth growth: | 17% |
| Net profit margin: | 14% |
| RoCE : | 16.1% |

*All numbers are 3-year averages

Its plants in Nalagarh in Himachal Pradesh and Guwahati in Assam manufacture a wide range of coding and marking printers, and inks. Control Print sells about 1,500-2,000 printers a year. Printer prices start at ₹75,000 and go up to ₹3.5 lakh. Ink prices are ₹6,000 to ₹10,000 per litre.

Established in 1991 by Shiva's father Basant Kabra, Control Print has made admirable strides in the coding and marking industry. The company has a wide range of customers, including Holcim, ACC, UltraTech Cement, Unilever, Emami, and Tata Steel. What makes its achievement more special is the fact that this business is very technology-intensive, and specialised. "There are only about 12-13 companies in the world that make such printers and inks," says Shiva Kabra.

Basant Kabra, the son of a silver merchant, did his chemical engineering from Nagpur, and initially started a polymer manufacturing company in Mumbai, with a plant in Baroda. After splitting with his partner, he got into the coding and marking business. In the beginning, the company would distribute products of Videojet Technologies and a couple of other companies. "The initial days were tough," says Kabra, Managing Director of Control Print. "It was difficult to get people to join the company because it was small. We decided to list it in 1993, so that people have confidence in the company." To assure customers, Control Print established offices in about eight cities for providing customer service. "Our first breakthrough came with Pepsi, which was setting up a plant in the late 1990s, and wanted a lot of printers," says Kabra, adding that in those times, even manufacturing companies were not buying coding printers.

Around 2007, the partnership with Videojet broke up, and thereafter, Control Print tied up with Germany's KBA-Metronic AG for CIJ printers, and decided to get into manufacturing to be cost competitive. "We have some 8-9 partners right now for different technologies, and we manufacture all their products under licence in India," says Shiva, who worked as an investment banker in New York till 2005 after doing his MBA from INSEAD, Singapore.

The company made a couple of strategic decisions in the past few years that have borne fruit. It started to localise as many of the printer parts as possible. It has done this on two fronts – by developing some of the parts itself, and by urging suppliers to raise their bar and produce better quality parts. Today the company has achieved localisation of parts to the tune of 96 per cent.

"We are looking to develop some new products ourselves in some new fields, like thermal inkjet technologies, so that we are at the cutting-edge," says Shiva. The company currently exports in a small way to Sri Lanka and Bangladesh, but plans to expand to other South Asian countries and beyond.

The Indian coding and marking market is dominated by four companies – Videojet, Domino Printech, Markem-Imaje India and Control Print. According to Shiva, Domino is the leading player with about 32 per cent revenue market share, Videojet has 27-28 per cent share, Markem-Imaje about 22 per cent, and Control Print has 16-17 per cent market share. As per numbers available with Registrar of Companies, Domino had revenues of ₹170 crore in 2013/14. Back-of-the-envelope calculations show that the entire industry size is about ₹550 crore-600 crore. Industry estimates peg the growth rate at about 12 per cent. Control Print aims to garner 25 per cent of the market in the next five years.

The company is bullish on future growth as packaged foods and other products increase, and as manufacturers pay greater attention to the quality and type of information printed on packages. There's another twist. "We manufacture our printers in a way that they support all Indian languages, be it Hindi or Bengali, or any other," says Shiva. Citing the example of Europe where exporting companies need to ensure that key information is printed in multiple languages, including the language of the destination country, the father-son duo feels that in India, too, all packaging should have key information in local languages besides English and Hindi.

But there are always challenges on the horizon, sometimes unexpected. As Katalyst's Mittal says: "It is a very technology-driven business, and it is difficult to see what new technologies might come up. That's where the major challenge would come from for Control Print." ◆

@alokeshb

In good health: HSCC India's Gyanesh Pandey

VIVAN MEHRA

BEST SME- SPECIAL JURY AWARD

# Health Care's Hidden Jewel

State-run HSCC has managed to successfully crack a sector primarily dominated by private players.

By JYOTINDRA DUBEY

HSCC India does what very few expect from a government company — it operates in the niche segment of hospital consultancy. The company, under the Ministry of Health & Family Welfare, provides consultancy and procurement management services to the health-care sector.

HSCC's growth is an example of how a mix of right policies and decisions can make even state-run companies do well. Established in 1983, HSCC, in its initial years, used to conduct feasibility studies and prepare project reports. Gradually, it also started providing de-

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## HSCC

Noida

| | |
|---|---|
| Topline growth: | 25.9% |
| Bottom line growth: | 45.4% |
| Networth growth: | 15.9% |
| Net profit margin: | 35.3% |
| RoCE : | 19.7% |

*All numbers are 3-year averages

**KEY FACTS**

- Noida-headquartered HSCC is a Mini Ratna government of India enterprise which is into a comprehensive range of professional consultancy services in health-care and other social sectors, both in India and abroad.
- It now plans to diversify its services. It has already started to offer hospital maintenance and waste management services. It is also exploring the possibility of setting up diagnostic centres in India and other South Asian countries

sign and engineering consultancy. After that, it started offering procurement services as well. It is now into turnkey hospital projects.

"In the last three years, HSCC has emerged from nowhere. Very few people know that there is a (government) company that specialises in building hospitals," says Gyanesh Pandey, Chairman and Managing Director, HSCC India.

HSCC's achievements look even more admirable if we consider that the work involved is really challenging. "The architecture of a hospital is critical. It is different from the architecture of other buildings. Hospitals have to be designed after analysing patient flow, plumbing layouts are complicated, and a lot depends on where medical equipment are placed. Even air-conditioning is customised. For instance, air change requirement for a neurology operation theatre (OT) is different from that of an orthopaedic OT. A neurology OT requires more frequent air changes. A lot of things have to be taken care of while designing hospitals," says Pandey.

HSCC has recorded a sharp rise in its numbers in the past three years. Its turnover rose from ₹33.5 crore in 2010/11 to ₹65.3 in 2013/14. Net profit trebled to ₹24 crore during this period. The order book expanded exponentially from ₹22 crore to ₹301 crore.

The company's ongoing projects include development of National Cancer Centre at AIIMS (Jhajjar), redevelopment of Safdarjung Hospital in New Delhi and building of a super-specialty block at Dr. Ram Manohar Lohia Hospital, New Delhi. Apart from these, HSCC is also executing one project each in Sri Lanka, Nepal and Myanmar.

Though the going is good for HSCC with an expanding order book and growing turnover and profits, things were very different till 2010/11, when it had very few projects. That was the time when costs were high and operating margins negative. Then, Pandey stepped in and rationalised manpower and other costs. He also took several steps to increase operational efficiencies. HSCC also completed a lot of critical and time-sensitive projects. For instance, it got the project for renovation of AIIMS OPD, which was in very bad shape. The major challenge was to work without disturbing the day-to-day operations of the OPD, which had an average daily footfall of 1,200-1,500 patients. HSCC also built a highly-critical BSL-IV virus testing laboratory at National Institute of Virology, Pune, in 2011. Finishing a few such critical projects on time earned it a lot of goodwill. As a result, a lot of new projects started flowing in.

Rising costs has been the company's biggest challenge. Manpower and other expenses have been rising drastically at a time when consultation fee margins are falling. The consultation fee used to be 8-9 per cent of the project cost. It has now come down to 4-5 per cent. The company has been on a cost-cutting drive for the past few years to maintain operating margins.

"HSCC used to have a top heavy hierarchy when I took charge in 2012. I changed it to a pyramid structure, which improved operational efficiencies, and inducted young energy in the organisation," says Pandey.

Another challenge has been retaining talent. "The attrition rate at HSCC is very high. Many employees leave after getting an experience of four-five years for lucrative offers in the private sector. We try our best to keep our employees motivated," he says.

HSCC plans to diversify its services. It has already started offering hospital operation and maintenance and waste management services. It is also exploring the possibility of setting up diagnostics centres in India and other South Asian countries.

"Health care is a priority for the government. Its expenditure on health is expected to increase from 1.2 per cent of gross domestic product at present to 2.5 per cent by 2017 and above 3 per cent by 2022. The government is upgrading the existing infrastructure. New hospitals and medical institutions are being announced. All this will bring in a lot of opportunities for HSCC in the future. However, there are challenges related to retaining talent and skill enhancement, which are high on our agenda," says Pandey. ◆

*@JyotindraDubey*

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Ramping up: Srikanth Chakkilam, Executive Director (left) and C.V. Subramanyam, Chairman, MD

A. PRABHAKAR RAO

BEST SME- GLOBAL BUSINESS EXCELLENCE

# Tried and Tested

Cigniti Technologies has developed niche software testing skills, which is driving its growth.

By E. KUMAR SHARMA

C.V. Subramanyam has an ambitious goal. The founder of Cigniti Technologies aims to increase the software testing company's revenue nearly five-fold to $300 million in 2017/18 from $63 million in 2014/15. The odds are in his favour. For, the company has expanded at a rapid pace over the past few years.

Cigniti's journey began in 1998 when Subramanyam set up

## Cigniti Technologies

Hyderabad

| | |
|---|---|
| Topline growth: | 100.2% |
| Bottom line growth: | 296.4% |
| Export growth: | 141.4% |
| Net profit margin: | 7.7% |
| RoCE: | 5% |

*All numbers are 3-year averages

**KEY FACTS**

- Cigniti is a specialised software testing services provider
- It is strong in banking and financial services, aviation, healthcare, retail, technology (gaming, e-commerce, mobile)
- Thanks to its acquisitions, it can now bid for projects worth $1 million or more

Chakkilam Infotech, a generic IT services company. For almost a decade the company remained an also-ran in a sector crowded with IT services providers. It was in 2008 that the company shifted gears. Srikanth Chakkilam, Subramanyam's son, had returned from the US with a masters degree in computer science from University of Southern California. He felt that the future lay in picking niche areas for growth and they decided to become a software testing services company.

In 2008/09, the first year as a software testing services company, it posted revenue of around $1 million. By 2010/11, its revenue had inched ahead to $2 million. Realising the need for scale, especially in a space where there are bigger players, in October 2011, Chakkilam Infotech opted for inorganic growth and acquired Cigniti Inc, an $18-million US software testing services and consulting company. Not only was the target company nine times Chakkilam's size, but it also gave the Indian company a foothold in the US market, where it wanted to be.

Chakkilam rebranded itself as Cigniti Technologies thereafter, and has not looked back. In 2013, it acquired Gallop Solutions Inc, a US-based specialised software testing services company with revenues of around $9 million. The deal brought along intellectual property since Gallop specialised in building and implementing niche solutions. The two acquisitions have enabled the company to bid for larger projects, says Srikanth Chakkilam, the company's Executive Director. Before the takeovers, the company could bid for orders worth $100,000. Now, it is able to bid for projects worth $1 million or more from Fortune 500 and global 2000 companies, he says. Subramanyam, who is also the company's Chairman and MD, says the company has about 170 clients in 13 countries, including close to 40 from Fortune 500 and global 2000 clients "The strategy now is to get to serve 100 global 2000 clients that have budgets of $2-3 million each for software testing so that we get to $300 million by 2017/18," he adds.

Over the past three years, says Chakkilam, the company has built strengths in six verticals. These include banking, financial services and insurance (BFSI) industry, airlines, healthcare and life sciences, retail, and technology, which includes online gaming, e-commerce and mobile applications. What makes Cigniti different from other software testing companies? "Here testers are treated as rock stars, which is not the case in large companies," says Chakkilam. He cites the example of Kalyan Rao Konda, who joined Cigniti as head of global delivery after starting out as a tester in AppLabs, a software testing company that got acquired by US-based CSC, and is now heading a business unit in the US with a 12-member sales team reporting to him.

Chakkilam says Cigniti, which has 1,800 people, has added capabilities in each vertical with specialists getting honed at its centres of excellence. Giving an example of insurance, he says: "We need to ensure we have people who know the insurance domain, the testing processes it requires and have a good understanding of the specific tools required there." Subramanyam cites the example of the airlines vertical, where Cigniti is working with several global airlines. "We started out in this space last year with a team of four people. Today, we have close to 200 people in this vertical with this business contributing around 15 per cent to our total revenues."

Cigniti's clients, too, vouch for the company. "Their biggest selling factor is that they have niche skills in testing and that to me is where the value driver lies," says Imraan Kadir, Executive Vice President at MultiChoice, a leading South Africa-based pay-TV company. MultiChoice has been working with Cigniti since December last year. On why MultiChoice chose Cigniti and not a bigger company in the testing space, Kadir says, "It is because of the relationship we have developed from day one, which is not of a vendor and a client but of collaborations and that is something you seldom find in large corporations." ◆

@ekumarsharma

BEST WOMAN LEADER

# Change Manager

PM Relocations bets on a rise in number of people shifting cities in search of better job opportunities.

By MANU KAUSHIK

VIVAN MEHRA

**Aakanksha Bhargava:** Lending a helping hand

Shifting to a new city is tough. It involves finding a house, getting children into a new school, transferring household goods, and getting familiar with the new place.

PM Relocations (PMR), which packs and moves residential and commercial goods, within as well as outside India, makes the process seamless and painless. People are becoming more and more ambitious and don't want to stay at one place all their lives, says PMR CEO Aakanksha Bhargava. So, as more and more people move from one city to another for better opportunities, companies such as PMR are doing brisk business.

In 2007, when Bhargava joined the company run by her father, it had 38 employees and three offices. Today, it has 495 people, and is present in 14 locations.

Bhargava says it has taken a lot of sweat and tears to take the company to this level. For instance, soon after joining, she moved to Bangalore to set up an office there. "I realised that there was potential, let me give myself a chance. I was 21. I had no idea about the market. It was the most testing time of life," she says. One problem was that people did not take her seriously because of her age. Many calls for business didn't yield satisfying answers. But she never

## PM Relocations

Gurgaon

| | |
|---|---|
| Topline growth: | 21.4% |
| Bottom line growth: | 7.2% |
| Net worth growth: | 48.9% |
| Net profit margin: | 2.7% |
| RoCE : | 30.1% |

*All numbers are 3-year averages

gave up. She strongly believes that one must lead by example. "I didn't want to sit in an AC cabin and instruct employees. I have stood in warehouses till late at night." The momentum picked up after one year. "I think perseverance is the key."

The business has two parts – domestic and overseas, where it partners with big relocation companies. For instance, the global employee relocation contract of Microsoft is with the US-based Graebel, which works with PMR in India.

Nearly 55 per cent of PMR's business comes from global operations. The tenure of a typical contract varies from one year to 10 years. However, some engagements are for the long term. The relationship with Airtel, for instance, is 21 years old. American Embassy is a stable customer, and so is Britannia.

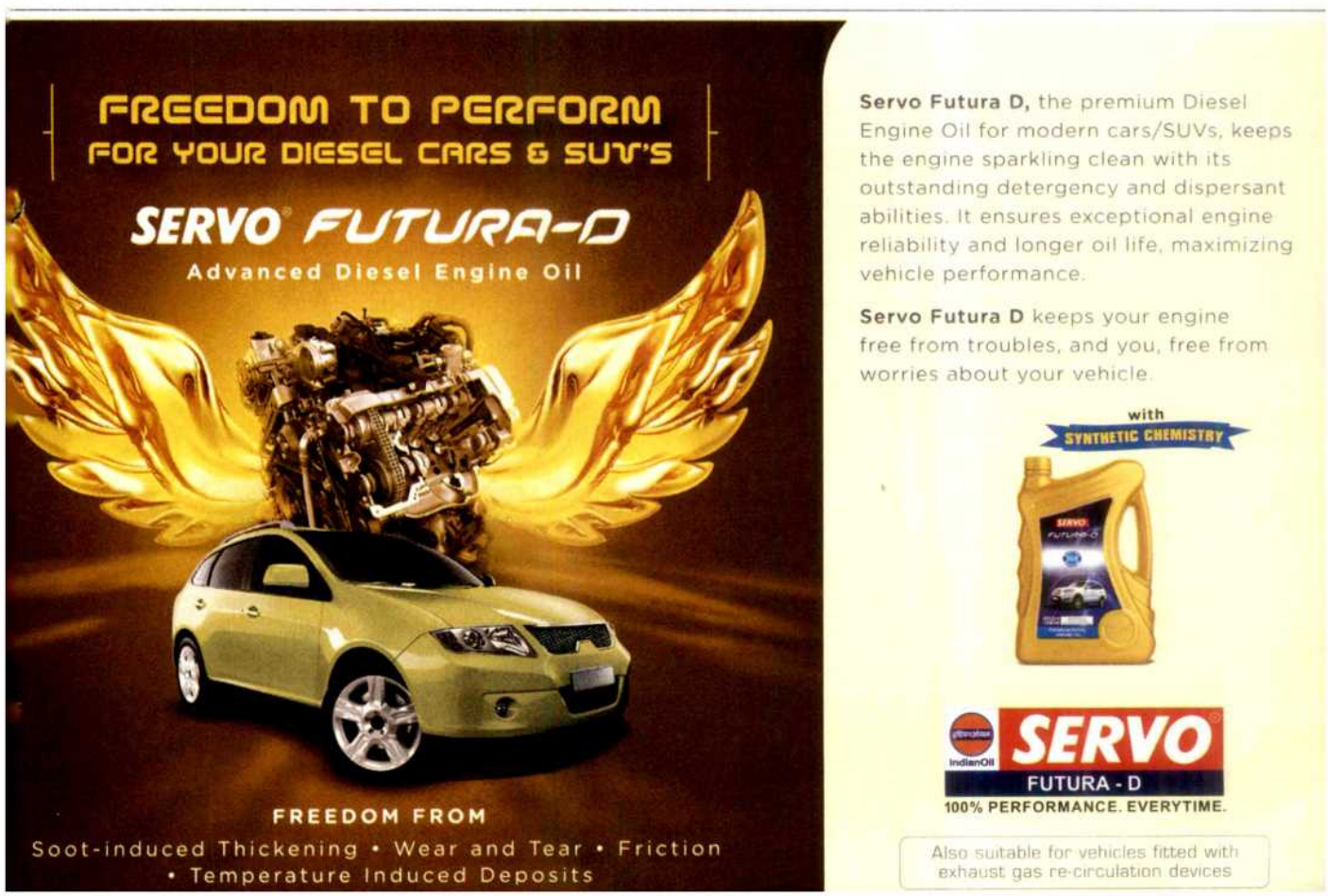
Also, the expat population is swelling, a market PMR wants to tap. "When an expat comes to India, we do work related to immigration, moving household goods and home search. We also offer settling-in services and cultural training," she says. In 2009, the company ventured into end-to-end settling where, apart from shifting house, it helps children settle into the new school and offers utility services. It also helps people move pets and vehicles. PMR also offers a car rental service. The company is looking to raise private equity money this quarter for investing in technology and marketing.

Anuj Puri, Chairman and Country Head, JLL India, says that in a growing economy, businesses move to better locations and into higher-capacity offices, retail players move into better-managed shops in more lucrative catchments, and people move into larger homes or homes nearer to their workplaces. "Relocation is a central concept in the real estate business," he says.

The company is now betting big on technology. For example, it wants to create an app or a website for someone who wants to move to a different city but has no idea about the relocation services there. This will also help the company offer customised solutions.

Bhargava, also a singer and a dancer, says her father never thought she would be interested in this male-dominated business. "I always knew I wanted to help my father. But when I got into it, I realised I could not have done anything better with my life than this," she says. When Bhargava joined, PMR's turnover was ₹2.9 crore. It aims to close the current financial year with ₹46 crore. "It's easy to grow numbers but we want to do it well because at the end of the day our people are moving into somebody's bedroom. We don't move goods, we move sentiments," she says. ◆

*@manukaushik*

BEST SME- INNOVATION

# Indigenous Innovator

Forace Polymers drives revenue growth through in-house innovations.

By JYOTINDRA DUBEY

Core competence: Forace MD Vikas Garg at the Haridwar plant

SHEKHAR GHOSH

**KEY FACTS**

- A fourth of Forace's revenues come from innovations by its in-house R&D team
- It has developed a solid resin technology for use in shell process in foundries, which is more efficient than traditional liquid resin

Forace Polymers, which started off as an ancillary of BHEL's foundry plant in 1980, moved to producing resins for the refractory industry much later. Today, the Haridwar-based company makes a wide range of products, including resins, catalysts, and hardeners for foundry, refractory, abrasives and rubber industries. Its turnover has skyrocketed from ₹0.8 crore in 2002/03 to ₹224 crore in 2013/14.

A fourth of Forace's revenues come from its innovations, which are propelled by a specialised R&D team. It has developed a solid resin technology for use in the shell process in foundries, which is more efficient than the traditional liquid resin technology used in India. "The cost of solid resin technology is almost 15 per cent less, the productivity is almost four times higher than the traditional liquid resin technology, and even the performance of the end product is better," says Vikas Garg, 40, a second generation entrepreneur who took charge of the company in 2001.

Garg is quite hopeful about growth opportunities: "The company's future strategy is to expand business through diversifying, while utilising and leveraging core competencies, focusing on innovation, developing new products and keeping abreast with latest technologies." ◆

@JyotindraDubey

## Forace Polymers

Haridwar

| | |
|---|---|
| Topline growth: | 18.6% |
| Bottom line growth: | 33.5% |
| Networth growth: | 42.2% |
| Net profit margin: | 1.6% |
| RoCE : | 173.5% |

*All numbers are 3-year averages

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# TALENT HUNT

**A power-packed panel debated the challenges confronting small companies in attracting and retaining talent.** By ALOKESH BHATTACHARYYA

**Brainstorming session: (L to R)** Sanjay Athalye, Chief Risk Officer & CMO, Reliance Commercial Finance and Reliance Home Finance; Gaurav Varma, Director, Technical, Recktronic Devices & Systems; K. Sudarshan, MD, EMA Partners India and Regional Managing Partner-Asia, EMA Partners International; Pradeep Bhargava, Director, Cummins India; Aquil Busrai, CEO, Aquil Busrai Consulting; Harsh Kapur Pillai, Founder Director, Terragni Consulting; Ajita Shashidhar, BT; and Vidyadhar Limaye, India Director, Faurecia Interior Systems

On the evening of August 28, heavy traffic flowed in the city of Pune. Part of that was because of the rush to the Hyatt Pune hotel for Business Today's roundtable on "SMEs: The Talent Challenge". Undoubtedly, talent acquisition, development and retention ranks amongst the biggest activities as well as concerns of all organisations. But small companies certainly have a harder time. BT put together a power-packed panel to discuss the issue threadbare.

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The two most experienced panelists were Pradeep Bhargava and Aquil Busrai. Bhargava, Director of Cummins India, had spent close to a decade as MD of Cummins Generator Technologies India, and was well versed with people matters. And Busrai is an HR veteran with more than 39 years of experience in HR, IR and other areas of workforce management. Giving them admirable support and representing corporate India was Vidyadhar Limaye, India Director of Faurecia Interior Systems, an auto-components company in Pune that has grown sizeably over the years.

Two more HR experts underscored the importance of the topic.

There was K. Sudarshan, Managing Director, EMA Partners India and Regional Managing Partner-Asia, EMA Partners International, a 20-year veteran of executive search and placement; and Harsh Kapur Pillai, Founder Director of Terragni Consulting, another 20-year veteran who specialises in executive coaching for leadership development, especially in the manufacturing and services industries. But perhaps the most important person on the panel was Gaurav Varma, Director-Technical, Recktronic Devices & Systems, a Pune-based SME that provides end-to-end solutions for real time monitoring, surveillance and control projects in the areas of water treatment and pumping, canal automation, electricity, marine and GIS. The panel was moderated by Ajita Shashidhar, BT's Senior Associate Editor.

The discussion started with Sudarshan admitting that there is indeed a talent challenge – not just for SMEs but for large companies as well. But he qualified that by asking whether SMEs were looking at the challenge through the right lens. Were they trying to compete with large companies in getting the talent they need? That might not be the right approach.

Picking up the thread, Cummins's Bhargava started by saying that he used to sell gensets, and there is a term there called RTU or ready to use, somewhat similar to plug and play in IT. "I think we need to understand that talent isn't an RTU," said Bhargava, adding that companies should not expect to hire employees that can straightaway hit the ground running. Customisation of talent was essential, he said, adding that while we all blame technical institutes and the government for not developing the right talent, companies need to acknowledge that they need to develop talent themselves as well. Small companies can do it in their own organisations, and large organisations can do it by working with skill providing institutions like ITIs.

**Absorbing discussion:** The audience listens in rapt attention to the panellists at the BT SME roundtable

Taking the discussion further was Pillai, who said that organisations have two things that are unique to them: employees and customers. "Over time, technology can be bought, money can be made available, infrastructure will be available, but can you really overnight change your people?" she asked, adding that if companies don't believe that people are their appreciating assets, and they need to develop them, then companies can't possibly see their business goals and objectives coming true. She also pointed out that such development is much more possible in an SME where the decision-making hierarchy is much smaller.

Then Busrai took over, and challenged the self-perception of SMEs that they were small and therefore unable to get the kind of talent that a large company would attract. "SMEs have an advantage that they have to market – which is that they are the only ones who can create an entrepreneurial atmosphere in the company for mavericks to work independently," he said, adding that SMEs should not promote themselves to talent by showing their growth, but by outlining the kind of work that fresh talent will be able to do there.

Limaye started by saying that the talent challenge for SMEs is both an issue and a non-issue. "If you are branding your organisation properly, right talent is not a problem," he said, adding that if companies are low on confidence and brand themselves as small companies, then the market too won't be attracted to them. He further added that it was not necessary for SMEs to hire the best talent. They could hire less than the best, and "train them, coach them, and make them more and more loyal".

Varma said his company, which started with two people, now has 110, but it was always a challenge to find the right kind of people, so more often than not skills had to be developed in-house. He also pointed out that most of those people are still with the company, partly of course due to the extreme niche nature of the job.

After the panellists concluded debating on the subject, there followed an engaging Q&A session with the audience. Finally, a vote of thanks was proposed by Sanjay Athalye, Chief Risk Officer & Chief Marketing Officer, Reliance Commercial Finance and Reliance Home Finance, who applauded the courage of SMEs in the audience for venturing out on their own instead of taking up regular jobs.

The roundtable was sponsored by Reliance Commercial Finance, which is also the sponsor of the BT Best SMEs survey. Reliance Commercial Finance is presented by Reliance Capital Ltd.◆

*@alokeshb*

# POWER PACK

**Business Today showcased the rapid strides made by women in corporate India at a glittering ceremony in Mumbai. By SARIKA MALHOTRA**

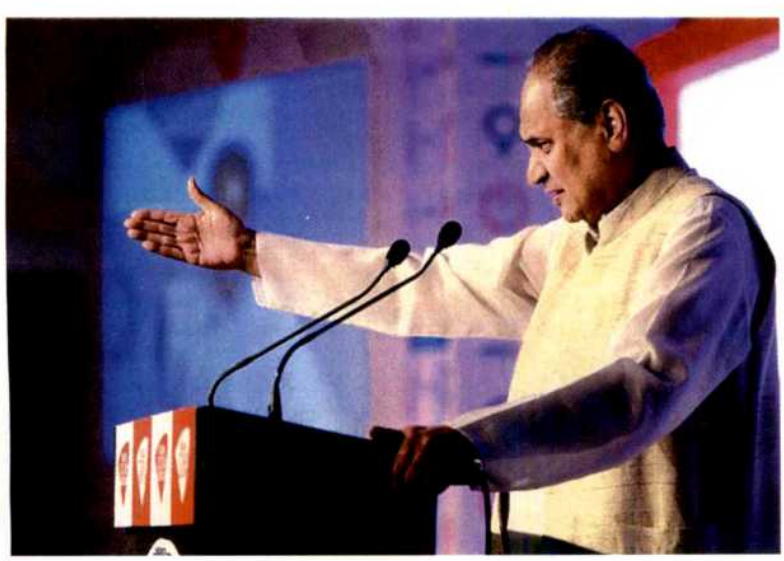
It was an evening to remember. Business Today's Most Powerful Women in Indian Business awards ceremony – at Mumbai's ITC Grand Central on September 10 – saw a packed house. As always, the event celebrated the remarkable achievements of the awardees. Some had taken up challenging roles successfully, some came up with innovative solutions in a competitive market while a few others reinvented themselves to impact their organisations and the community in a big way.

The awards were given by chief guest Heather Bresch, CEO of global generic pharma giant Mylan, and Raj Chengappa, Group Editorial Director (Publishing) of the India Today Group. Bresch pointed out that the US numbers did not differ much from the Indian numbers, when it came to women entering the workforce and

PHOTOGRAPHS BY DANESH JASSAWALA

In good company: (From left): Kirthiga Reddy, MD, Facebook India; Neelam Dhawan, MD, Hewlett Packard India; Prosenjit Datta, Editor, Business Today; Priya Nair, Executive Director (Home Care), Hindustan Unilever; Geetu Verma, Executive Director (Foods), Hindustan Unilever; Arundhati Bhattacharya, Chairman, State Bank of India; Deepika Arora, Regional Vice President (Eurasia), Wyndham Hotel Group; Heather Bresch, CEO, Mylan; Aruna Jayanthi, CEO, Capgemini India; Shanti Ekambaram, President, Consumer Banking, Kotak Mahindra Bank; Ipsita Dasgupta, Chief Commercial Officer, GE South Asia; Pallavi Shroff, Managing Partner, Shardul Amarchand Mangaldas; Chitra Ramkrishna, MD & CEO, National Stock Exchange; Jyoti Deshpande, Group CEO and MD, Eros International and Raj Chengappa, Group Editorial Director (Publishing), India Today Group

Rahul Bajaj, Chairman, Bajaj Auto, addresses the audience at BT's Most Powerful Women in Indian Business awards



Mylan CEO Heather Bresch (left), talks to Nita Ambani, Director, Reliance Industries, at the awards

Heather Bresch interacts with Raj Chengappa (left) Group Editorial Director (Publishing), India Today Group and Prosenjit Datta, Editor, BT

Founder, MD and CEO of Multiples Alternate Asset Management Renuka Ramnath (left) shares her views with a guest at the awards

eventually reaching the top of their organisations. Women only account for six per cent of the senior management in corporate India and at the board level they are even lesser.

Bresch asserted that the best management style has to be open, and must welcome diversity. "Most people want work ethics, competency... irrespective of gender." Women bring unique skills to management, stressed Bresch, adding: "Women are better at multitasking, tend to be more compassionate and can be more balanced."

The effervescent Chairman of Bajaj Auto, Rahul Bajaj, who had also chaired the jury meeting for the awards to decide on the winners, gave an inspiring speech. Sam Balsara, another jury member and Chair-man and Managing Director of advertising and media buying house Madison World, also attended the event.

The award ceremony was preceded by intellectual sparring, as top

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women business leaders – and some men as well – took part in two panel discussions. "Glass ceiling: Are there some industries that are still women-unfriendly?" was the topic for the first. The panellists came from a wide array of sectors. Veteran corporate lawyer Pallavi Shroff, Managing Partner of Shardul Amarchand Mangaldas; Radhika Piramal, MD of VIP Industries; Jyoti Deshpande, Group CEO and MD of Eros International; GE's Chief Commercial Officer for South Asia, Ipsita Dasgupta; and Santrupt Misra, Group HR Head, Aditya Birla Group, took part in the brainstorming session.

The speakers agreed that, increasingly, there were more discussions on the need for diversity in businesses and it was rare for organisations to have women-unfriendly policies. They echoed that most companies need to promote diversity for innovation and also realise that they are not doing women a favour by giving them more representation.

The second panel had India's top banker Arundhati Bhattacharya, Chairman of the State Bank of India. Joining her in the discussion was Aruna Jayanthi, CEO, Capgemini India; Kirthiga Reddy, MD, Facebook India; and Renuka Ramnath, Founder, MD and CEO of Multiples Alternate Asset Management. The discussion was moderated by Sudhanshu Tripathi, Group President-HR of the Hinduja Group. This group debated the topic: "Mid-career breaks: Is it difficult for women to come back?" The panelists believed that there was a dire need for organisations to fix the issue of 'leaking pipeline', referring to the trend of women give up their careers early.

SRM University was the presenting sponsor of the event ◆

*@sarikamalhotra2*

**(From left)** Santrupt Misra, Group HR Head, Aditya Birla Group; Jyoti Deshpande, Group CEO, MD, Eros International; Pallavi Shroff, Managing Partner, Shardul Amarchand Mangaldas; Radhika Piramal, MD, VIP Industries; Ipsita Dasgupta, Chief Commerical Officer, GE South Asia; Shweta Punj, Associate Editor, India Today

Heather Bresch, Mylan CEO and Raj Chengappa, Group Editorial Director (Publishing), India Today Group, field questions from the audience at the event

(From left) Sudhanshu Tripathi, Group President, HR, Hinduja Group; Aruna Jayanthi, CEO, Capgemini; Arundhati Bhattacharya, Chairman, SBI; Renuka Ramnath, MD and CEO, Multiples Alternate Asset Management; and Kirthiga Reddy, MD, Facebook India

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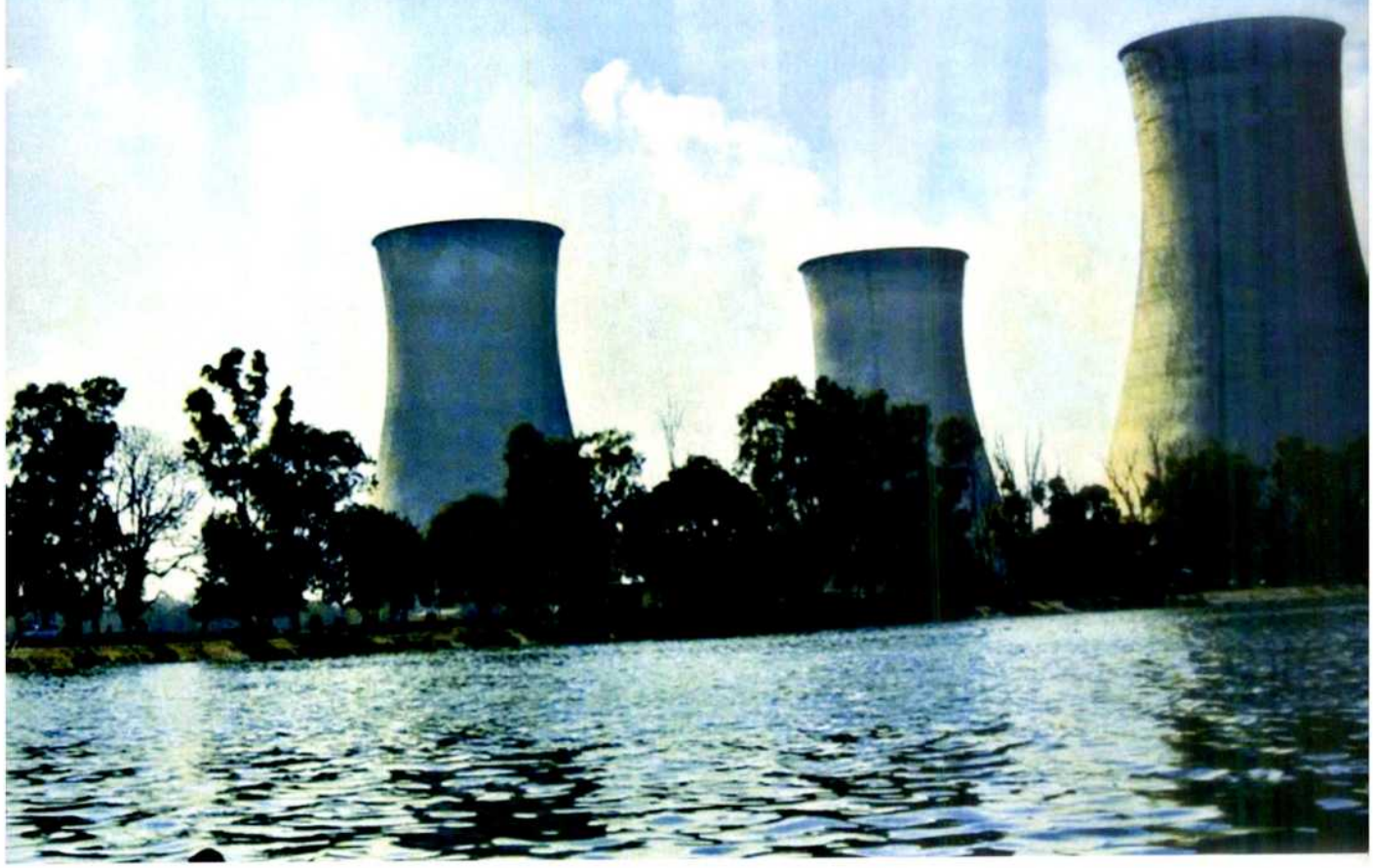

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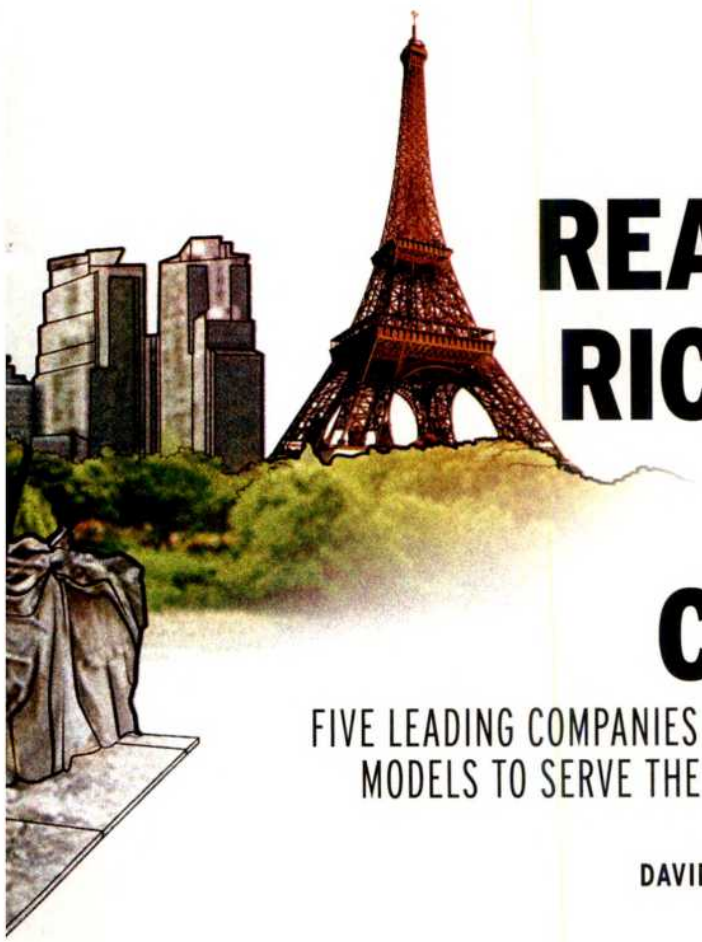


# REACHING THE RICH WORLD'S POOREST CONSUMERS

## FIVE LEADING COMPANIES HAVE ADAPTED NONPROFIT BUSINESS MODELS TO SERVE THE BOTTOM OF THE PYRAMID IN FRANCE.

By MUHAMMAD YUNUS, FRÉDÉRIC DALSACE, DAVID MENASCÉ, and BÉNÉDICTE FAIVRE-TAVIGNOT

Poverty is not just an emerging-market problem. In the United States, more than 45 million people, or 15 per cent of the population, are officially poor, according to the Census Bureau. What's more, this percentage has increased every year but one (2006) since the 21st century began. At 16 per cent, Japan is doing no better. And in the European Union almost 120 million people – one in every four – are classified as at risk of poverty or social exclusion.

In the past, businesses in the developed world have largely ignored the needs of these groups. To be sure, they know that not all their customers are rich, and many companies have invested significantly in creating low-cost products and services specifically tailored to people on a tight budget. Most automakers have offered low-budget cars for decades: The Model T Ford, the VW Beetle, the Mini Cooper, and the Citroën 2CV were in their time designed for what their manufacturers saw as the budget market. Low-cost "hard discounters" such as Aldi and Lidl in Europe and Market Basket in the United States have emerged relatively recently in the retail industry.

But the low-cost, low-price products and services that have traditionally served poorer consumers in Europe are usually still out of reach for the 25 per cent who are at risk of poverty. Consumers in this group often can't buy es-

sential products and services without significant aid from the state – whose ability to provide such aid is diminishing even as the need for it grows. Limited public transportation, for example, means that many poor people in rural districts must rely on ageing, extremely cheap vehicles. Someone whose car breaks down may be out of work as a result.

In recent years, a number of large corporations have started approaching problems of this kind in a new way. In 2009, Martin Hirsch, the former French high commissioner in charge of poverty alleviation, and Emmanuel Faber, then the food giant Danone's deputy general manager (now its CEO), came together to form the Action Tank – a not-for-profit association directed by Jacques Berger, of HEC. Through the Action Tank a number of leading multinationals have joined forces with NGOs and government organisations to experiment with developing social businesses in France.

"Social business" is a concept originally developed in the context of poor countries. Such a business has three key characteristics: First, it seeks to alleviate social problems, including all forms of poverty. Second, it must be run sustainably – that is, it should not lose money. Third, profits – when they exist – are reinvested in the business rather than funnelled back to shareholders. Investors eventually get back only the money they initially invested. Danone and a growing number of other multinationals have for some time been engaged in social businesses in Bangladesh and other poor countries, but applications in the developed world are rare.

Among the first companies to join Danone in the Action Tank were the eye-care company Essilor, the construction giant Bouygues, the telecommunications group SFR, and the carmaker Renault. Early results from these companies' experiments suggest that the social business model is both an efficient way of fighting poverty and a productive source of new business ideas. Their ventures are sustainably providing high-quality products and services to very poor people at rock-bottom prices.

Essilor's social business, Optique Solidaire, is a good example. Working with all the company's supply chain partners, including insurance companies, it has succeeded in driving down the cost of a pair of high-quality reading glasses to poor pensioners from 230-300 euros to less than 30 euros. After spending 15 months working out the offering and three months conducting an experiment in Marseille, Optique Solidaire has built a network of more than 500 "solidarity retailers" across France. They are opticians who have volunteered to spend some of their time selling the glasses at a sharply reduced profit margin. Target customers – people over 60 with minimal resources – receive a voucher and a letter from their insurance company telling them about the offer and supplying the address of the closest participating optician. Essilor's goal is to recruit 1,000 retailers in France and to equip 250,000 to 300,000 people with glasses they could not otherwise afford.

In the following pages we present the social business model that is emerging from experiments like this and demonstrate how radically it differs from traditional low-cost business models. The new model, perhaps counterintuitively, looks more like that of a high-end solutions provider than that of a discount supplier. Obviously, financial profit is not its goal. We will describe the business benefits, both tangible and intangible, that social businesses can provide and the factors that contribute most to their success.

## The Model

Let's begin by looking at the value propositions that social business models offer. These typically involve:

**Customer exclusivity.** Unlike low-cost models, social business models are exclusive: Companies determine up front which and how many consumers the programme will serve, and no one else is eligible for the offer. The target may be broad. For instance, SFR and the French charity Emmaüs, which focuses on the homeless, regard all poor people who have a mobile phone as eligible for the services offered through their project Téléphonie Solidaire. But the

target may also be narrow, such as poor consumers older than 60 (Essilor), poor families with a child aged six months to 24 months (Danone), or poor consumers who need a car to get – or keep – a job (Renault).

In determining eligibility, social businesses usually work with nonprofits, which rely in turn on local associations and public programmes to find potential beneficiaries. This approach also reduces companies' costs.

**High-quality products and services.** In a low-cost business model, every consumer, whether poor or not, evaluates the trade-off between the company's standard and low-cost offers. If they are too similar, the company runs the risk of cannibalising its standard offer. Thus it must downgrade key attributes in the cheaper offer to create a distinct trade-off.

In a social business model, the offer can remain unchanged if the economics allow. This is important, because the goal of the social business is precisely to give poor people access to an *existing* product or service whenever possible. Danone, Renault, and SFR provide poor customers with products and services identical to those offered to richer ones. The only difference in Optique Solidaire's offering is a limited assortment of frames; lens quality remains the same.

The commitment to high quality means that social businesses don't lower their costs by redesigning products or manufacturing processes, as low-cost businesses may do. They focus on changing the economics of sales and distribution. The solution is often to partner with nonprofits or to work with distributors on a noncommercial basis, as Essilor did. And as we'll see, companies that devise an integrated, solution-style offering can offset costs in one component with savings in other components.

**Carefully designed solutions.** Unlike low-cost companies, which are defined largely in terms of products and services, a social business often (though not always) expresses its value proposition as a solution to a social problem customers have. Renault's Mobiliz is a case in point. The project's goal is to resolve transportation issues for poor people. In cities, Mobiliz works with the NGO Wimoov to find the cheapest form of mobility for working poor people, whether it be the metro, buses, or bicycles. In rural areas, however, the project's customers need access to a cheap car and affordable maintenance, which Mobiliz provides through a network of "solidarity garages." Network participants (garages owned or franchised by Renault) dedicate a portion of their time and resources to repairing damaged or broken cars for qualifying customers at a nominal cost. The French NGOs Wimoov, FASTT, and UDAF are responsible for "recruiting" customers.

**Early results from these companies' experiments suggest that the social business model is both an efficient way of fighting poverty and a productive source of new business ideas**

An often-important part of social business solutions is promoting behaviour change on the part of customers. Danone's Projet Malin, a joint programme with the French Red Cross, provides low-income parents with affordable and nutritious food for children, educational materials, and courses delivered by independent third parties. "The purpose of our programme is to ensure that children are well nourished," says Benjamin Cavalli, of the Red Cross. "We ask the mothers if they want to attend an educational workshop to develop good nutritional practices. Many do." (Programmes must take care not to seem patronising; for example, there's no need to lecture poor commuters on how to travel.)

Thinking in terms of solutions can help companies with the challenge of costs. Since 2000, French law has required that a city of more than 3,500 inhabitants that is part of an "urban centre" of more than 50,000 must have at least 25 per cent of its dwellings qualify as social (public) housing. Understandably, companies doing this kind of construction try to minimise direct costs through efficiency. But Bouygues realised that building apartments inexpensively didn't necessarily make them affordable over the long term.

Working with the Action Tank, the company estimated that in the Paris area, construction accounts for less than 30 per cent of total housing costs over the life of a building. Land accounts for about 12 per cent, financing for 15 per cent, maintenance and repair for 12 per cent, and usage (heat, electricity, water, garbage collection, and other running expenses) for about 35 per cent. So the company has broadened its scope to offer a more integrated service. It has proposed innovations such as decreasing the size of individual units in order to build in neighbourhoods with better connections to public transportation (an idea borrowed from the hotel industry), creating a common laundry room (unusual in France), asking tenants to take care of the cleaning (including the garbage), and setting up efficient water distribution systems. Some of these innovations would entail upfront costs, but the downstream savings would more than cover them.

## The Hidden Payoffs

The primary purpose of a low-cost business is to create shareholder value by generating profits. Although the business makes products accessible to poor consumers, that is merely a means of delivering on its promise to shareholders. Because a social business seeks to alleviate social problems sustainably, however, its profits are plowed back into the company. But that's not to say that social businesses yield only social returns. In fact, the spillover effects of creating them may in the long run be as commercially valuable as the profits of a low-cost business. Those effects include uncovering opportunities for innovation in new markets, motivating employees, and enhancing the company's reputation – along with demand for its products and services.

**Breakthrough innovation.** Social businesses have long been recognised as what Rosabeth Moss Kanter, of Harvard Business School, has called "beta sites for innovation." Emmanuel Faber has described Danone's social business in Bangladesh, which started in 2005, as "the best R&D lab ever." To be sure, low-cost businesses do often trigger innovation in processes and design, but the innovation of social businesses tends to be more radical, because they are trying to maintain the original quality of their products and services. As we saw with Bouygues, this forces them to break away from product-centred innovation and focus instead on *consumer-centred* innovation.

François Rouvier, the manager of Mobiliz, says: "Developing the Dacia [Renault's low-cost car in Europe] was a formidable challenge for Renault. We started with existing cars and left no stone unturned to make it cheaper. In a sense, we were going downward. But in the social business model we put the constrained customer, not the product, at the centre of the action, and we seek to help her go upward. This is a whole new mindset."

As a result, companies can identify ways to increase access to their commercial products as well. For example, Renault's consumer-centred research revealed that the prohibitive cost of qualifying for a driver's licence was a major reason that fewer and fewer young people in France were buying cars. The company teamed up with ECF, France's leading driving school, to develop a computer game for learners. By speeding up the learning process, it can drastically cut the overall cost of lessons.

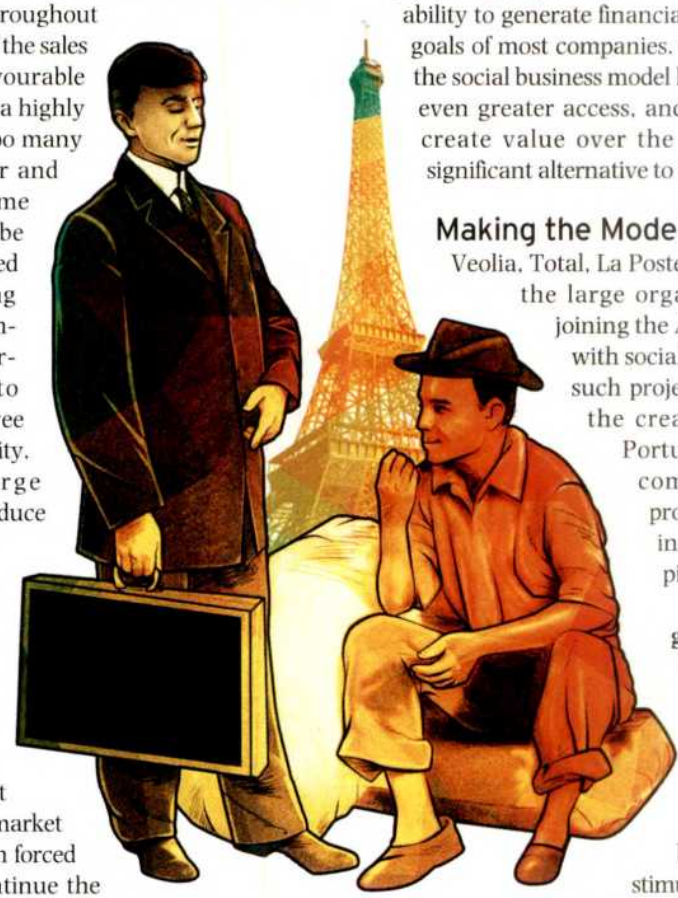
The innovation of social businesses tends to be more radical, because they are trying to maintain the original quality of their products and services

Social business models also spark innovation through the high level of collaboration they involve. In particular, they enable companies to leverage existing capabilities in the not-for-profit sector. Essilor has launched several commercial projects as a result of its experiment. In Southeast Asia, for example, it has applied the idea of sending vouchers to customers via a third party. Rather than waiting for people to visit opticians and buy glasses from them, Essilor works with corporations that send letters to their employees offering to share or even bear the cost of glasses. This improves both employees' quality of life and the quality of their work – a triple win that benefits Essilor, its customers, and their employers.

**Motivation.** Our experience shows that social business models generate a lot of motivation and meaning for workers, who are often less engaged when their employer's sole purpose is to make shareholders happy. One of Renault's

goals for Mobiliz was to strengthen the social DNA of the company; the name stands for both the mobility of the consumers Renault serves and the mobilisation of its people. The company has been surprised by how positively its dealer network and sales force have reacted.

"We thought Mobiliz would not be welcome, because by definition the model makes it impossible to make money," says Claire Martin, Renault's Vice President for Corporate Social Responsibility. "But we received encouragement from people throughout the firm. The reaction of the sales department was so favourable that we are now facing a highly unexpected problem: too many garages that volunteer and not enough low-income car owners who can be identified and channelled through our partnering NGOs." This level of enthusiasm almost certainly translates into higher rates of employee retention and productivity.



**Reputation.** Large corporations that introduce low-cost products are quickly suspected of trying to make money on the backs of the poor, which can damage their overall brand image. For instance, after Danone introduced low-cost yogurts on the French market in 2010, public reaction forced the company to discontinue the product line. Nutriset, the world leader in emergency food for developing countries, had to abandon two consecutive attempts to sell nutrition bars to very low income consumers in France, because social activists argued that it was an immoral way to make money and that the goal should be to offer "real meals."

But when a company starts a social business, which is expressly not for profit, it can change stakeholders' perceptions. The model breaks down barriers and helps the company build new relationships based on trust. Emmanuelle Vignaud, Danone's brand marketing manager, says: "Social business projects show that our firm has a more comprehensive and long-term mindset. We are not considered 'predators' anymore, which has concrete consequences. One key paediatrician, who had refused to meet with us before, agreed to be interviewed for more than two hours to help us understand how baby food will evolve. We have also earned the trust of two paediatricians' union leaders, who are involved on the board of Projet Malin. These relationships could be immensely useful as we look for new product ideas going forward."

To be sure, the low-cost model has a long history – probably best exemplified by the Model T Ford – of providing people with access to goods and services. Its ability to generate financial returns aligns it with the goals of most companies. We believe, however, that the social business model has the potential to provide even greater access, and its spillover benefits can create value over the long term, making it a significant alternative to low-cost business ventures.

## Making the Model Work

Veolia, Total, La Poste, and Michelin are among the large organisations that are now joining the Action Tank to experiment with social businesses. The success of such projects in France has spurred the creation of action tanks in Portugal and Belgium to help companies develop similar programmes. Our experience in France has enabled us to pinpoint the crucial factors.

**Always put the social goal first.** Companies must keep in mind the point we made earlier: Social businesses have *social goals* and *business spillovers*, not the reverse. If a social business is created to stimulate innovation or improve reputation, it will generate suspicion among its partners, threaten the cooperation needed for innovation, and look like corporate hypocrisy to company employees. This doesn't mean, of course, that you can't talk about the spillover effects – just that they have to take second place or you won't get them at all.

**Be patient and selective in partnering.** It takes time to construct the right model for the social problem you are addressing. (Schneider Electric has worked with the Action Tank since the latter's inception, but because it's primarily a B2B firm, selecting a project was challenging. Schneider is only now starting to experiment with measuring energy consumption for poor people.) Negotiations are necessary both internally and with external ecosystem partners. Finding the right organisations to partner with is difficult:

## How Social Businesses Differ from Low-cost Businesses

Here's a quick comparison of the two models:

| | Low-cost | Social |
|---|---|---|
| VALUE PROPOSITION | | |
| OBJECTIVE | TO MAKE A PROFIT BY IMPROVING ACCESS TO PRODUCTS AND SERVICES | TO IMPROVE ACCESS TO ESSENTIAL PRODUCTS AND SERVICES IN A FINANCIALLY SUSTAINABLE MANNER |
| EXCLUSIVITY | ANY CONSUMER CAN BUY THE OFFER | THE COMPANY DECIDES WHO THE TARGETS ARE AND HOW TO FILTER THEM |
| QUALITY | LOWER, TO AVOID CANNIBALISING THE REGULAR OFFER | UNCHANGED |
| FOCUS | LOW-PRICE PRODUCTS AND SERVICES | AFFORDABLE SOLUTIONS TO SOCIAL PROBLEMS |
| SOURCE OF VALUE | | |
| OPERATIONS | RECONFIGURING THE PRODUCTION SUPPLY CHAIN TO REDUCE COSTS | RECONFIGURING THE DISTRIBUTION SUPPLY CHAIN TO REACH TARGETED CONSUMERS |
| PARTNERSHIPS | OPTIONAL CO-CREATION WITH PROFIT-MAXIMISING ORGANISATIONS | REQUIRED CO-CREATION WITH THIRD PARTIES THAT HAVE A SOCIAL WELFARE OBJECTIVE |
| INNOVATION | PRODUCT-CENTRED | CUSTOMER-CENTRED AND ECOSYSTEMIC |
| EMPLOYEE MOTIVATION | WEAK | STRONG |
| REPUTATION | MAY BE QUITE LOW | LIKELY TO BE HIGH |

You need to understand their cultures and mindsets – especially when they're nonprofits, whose participation and credibility are essential for success. The Action Tank has been helpful in making connections and deepening understanding of partnership challenges, and many of the world's top consultancies have practices that specialise in social ventures.

**Keep it as simple as you can.** Poor people in developed countries often have a lot of choice. SFR and Emmaüs have identified more than 300 social service programmes in France. But each has its own, sometimes complicated, processes and eligibility criteria, and poor people with limited time find it hard to make an informed choice among them. Even when a social business can identify all potential beneficiaries (as Optique Solidaire was able to), it's generally able to reach only about 30 per cent of them. Some social businesses are now developing traditional push marketing initiatives such as advertising and couponing to raise public awareness of their products and services.

**Start local.** Don't try to launch a national programme from scratch. Figuring out how to collaborate with nonprofits is better handled on a small scale. Luckily, the customer exclusivity of social businesses makes it easy to run experiments. Essilor needed 18 months to work out the right model, including its pilot project in Marseille, and Danone's Projet Malin is still being refined in just four cities. Determining how to filter customers can be especially challenging.

**SOCIAL BUSINESS** is still in its infancy. Early evidence suggests, however, that it can help companies looking for market-based solutions to poverty issues. Its business spillovers – innovation, motivation, and reputation – are significant. More important, it is demonstrating that large corporations can be powerful agents of social change when they partner with other organisations. And social businesses can unify all society's organisations, including businesses, nonprofits, and government agencies. That is no small achievement, because we need all our talents in the fight against poverty. ◆

**Muhammad Yunus,** *the founder of Grameen Bank, a microfinance business that first operated in rural Bangladesh, won the 2006 Nobel Peace Prize.* **Frédéric Dalsace** *is an associate professor of marketing and holds the Social Business, Enterprise and Poverty chair at HEC Paris.* **David Menascé** *is the managing director of Azao, a consulting company specialising in social business, and an affiliate professor at HEC Paris.* **Bénédicte Faivre-Tavignot** *is an affiliate professor at HEC Paris and the academic director of its master's programme in sustainable development.* *This article was published in* Harvard Business Review, *March 2015.* *Copyright ©2015 Harvard Business School Publishing Corporation. All rights reserved.*

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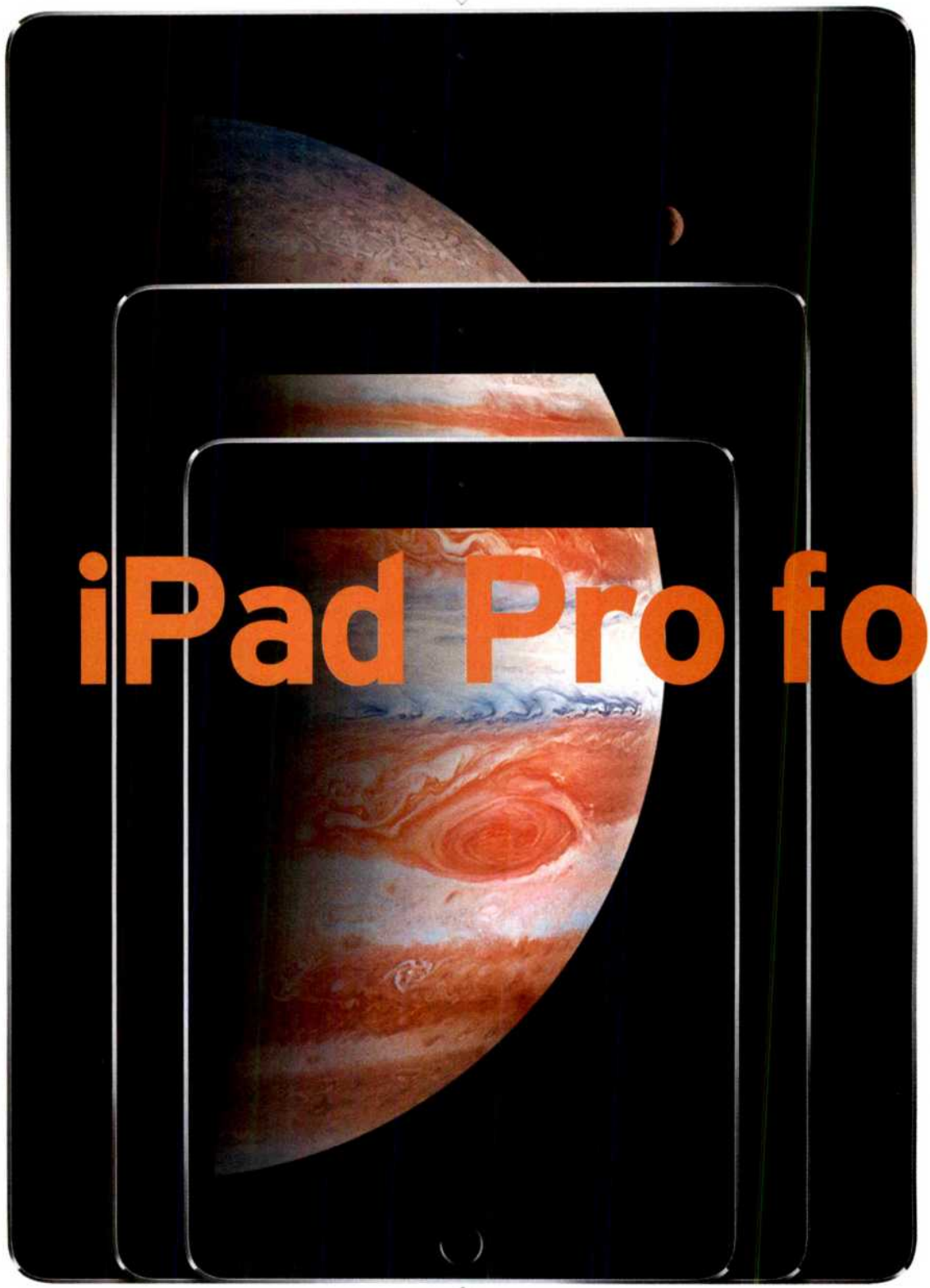


# iPad Pro for

With the bigger 12.9inch iPad Pro, is Apple eyeing the enterprise segment?

**By NIDHI SINGAL**

# Enterprises?

Apple has finally broken the barrier and has put the iPad in direct competition with Microsoft's Surface Pro3. Since the launch of the touch-driven Windows 8 operating system by Microsoft, other PC makers, including HP, Lenovo, Dell and Toshiba, had taken to hybrids, but Apple had, so far, decided to keep away from the rat race. Now, with the 12.9-inch iPad Pro, it has stepped into the two-in-one, or hybrid segment. In fact, over the past few years, the Cupertino tech giant had been struggling with the sale of its iPads.

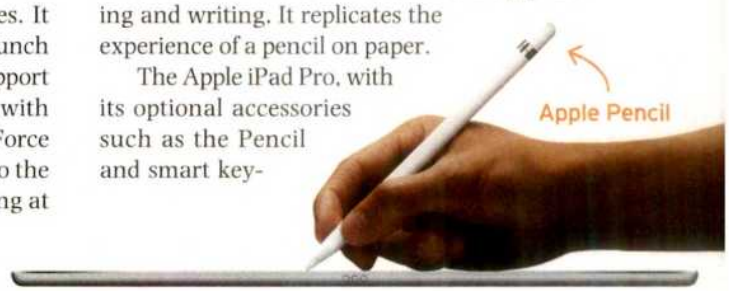
The Surface Pro 3 and iPad Pro are similar – they come with pressure sensitive stylus and the covers double up as smart keyboards, which give them the look of serious work devices. However, while the Surface Pro 3 is a 12-inch device that runs on Windows 10, Apple prefers a slightly larger screen for its iPad Pro. It continues with the iOS platform that has a clear advantage over other operating systems for its security features. It has also come a long way since its 2007 launch and has evolved over the years to even support a host of third-party applications. Now, with the feature-rich innovations, such as the Force Touch and Apple Pencil, it has packed into the iPad Pro, the company is definiteley looking at the enterprise segment. The fact that Microsoft participated in the presentation to showcase the smooth functioning of MS Office on this new tablet, also speaks volumes.

## Apple Pencil

In 2007, when Steve Jobs had introduced the iPhone, he had proclaimed: "Who wants a stylus? You have to get 'em, put 'em away, you lose 'em. Yuck! Nobody wants a stylus. So let's not use a stylus." So far, therefore, it had just been a play between the capacitive touch displays and your fingers. The iPad Pro has changed all that with the Pencil – an optional stylus, it has been designed to expand the versatility of multi-touch, working alongside the touch of your finger. But what makes the 'Pencil' a premium product priced at $99?

The Pencil has been designed to work on the capacitive touch display with optimal accuracy. When you use it, the system scans the input twice as often to capture more points, or strokes. High responsive sensors, which have been built on the tip of the Pencil, detect force, tilt and position. Signals are emitted from two separate points of the tip to calculate the angle and orientation, and produce dark or light strokes. It has a unique tip signature that allows it to be used simultaneously with the finger touch. This feature consumes more power. So, the iPad Pro comes with an in-built battery that lasts for 12 hours with full charge. A lighting connector is embedded in the pencil cap that is used to charge the hybrid device. The Pencil can also be used for sketching, painting and writing. It replicates the experience of a pencil on paper.

The Apple iPad Pro, with its optional accessories such as the Pencil and smart keyboard, looks promising. While Microsoft has not yet launched its Surface range of devices in India, Apple has been aggressively marketing its products, including Macs, Macbooks and iPads, without any lag. The iPad Pro is certainly an evolved device, but the price is sure to decide the fate of this new tablet in India.



# Gadgets Galore

Several new gadgets, including Apple iPhones, are lined up for launches in the coming months.

**By NIDHI SINGAL**

September is an important month for the technology world. The wait is not just for the new iPhones, but also about new product launches from the stable of other tech giants. Interestingly, this year smartphones will not dominate this space. Instead, wearables, laptops and tablets are set to grab the eyeballs.

**INTEL SKYLAKE:** Intel has launched its latest range of processors, the Codenamed Skylake. It claims improved performance, battery life and graphics. The 14 nanometre-sized transistors used in the chipset are optimised to handle 4k videos. This sixth generation CPU has more security features and introduces two new extensions which are aimed at locking down the PC.

**POLAROID SNAP:** Polaroid is reviving the past to give shape to a smarter future. The slim rectangular Polaroid Snap prints photoraphs using ZINK paper – a multilayer material comprising coloured eye crystals stacked on the top of the base layer. When you click a photo, the printer heats the crystals and the image is generated. This digital camera comes with a memory slot and captures images at 10 MP resolution. The prints measure 3 inch by 2 inch.

**TOSHIBA SATELLITE RADIUS 12:** Toshiba has announced the world's first convertible with ultra high definition, or UHD, display, running Windows 10. The Satellite Radius 12 features a 12.5-inch display with a native 3,840 x 2,160 resolution. It is powered by Intel sixth gen Core i Series (Skylake) processors. The aluminium frame of the laptop is 0.6 inches thick and allows 360 degree movement. It also has an infra-red camera to unlock the laptop using facial recognition.

**SONY XPERIA Z5 PREMIUM:** Sony has announced its flagship smartphone for the year. The Xperia Z5 Premium is the world's first smartphone with 4k display and built-in 4k upscaling. It is equipped with a 23 MP rear camera and 5MP front camera. Sony claims better imaging and the fastest 0.03 second autofocus speed. It is powered by Snapdragon 810 processor and is paired with a 3GB RAM.

**SAMSUNG GEAR S2 SMARTWATCH:** Samsung has announced the Gear S2. The smartwatch has a circular dial, touchscreen, and 'home' and 'back' buttons on the side. A rotating bezel allows easy access to lists, apps, watch faces, and more. The ambient mode gives quick access to the clock. It runs on Samsung's own Tizen OS and has dynamic faces that can update information. You can check notifications, and can also reply to incoming messages with canned responses, emoji, or text using voice recognition.

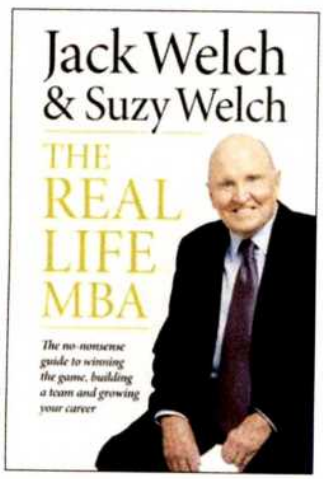
**DYSON AM10 HUMIDIFIER:** Dyson is turning ordinary home appliances into style statements. The Dyson AM 10 has launched a new humidifier that can kill bacteria in a water tank. Usually, a humidifier breeds bacteria in water tanks, but this product from Dyson kills them using built-in UV lights. The company claims to eliminate 99 per cent bacteria in water. It has received an approval from Asthma and Allergy Foundation of America.

**ASUS ROG GX700:** The Asus's flagship does not look like a regular laptop, but a beast. This prototype is a 17-inch gaming machine featuring Intel Skylake and has an interesting water cooling system. Asus hasn't revealed the specifications of this machine yet, apart from two things - Nvidia GeForce GTX Grapics and a 4k resolution display.

*@nidhisingal*

# Superhighway of Life

**The book goes to great lengths to elucidate the real life principles and practices of what doing an MBA is all about.** By JAMES THOMAS




***The Real-Life MBA***
**By Jack and Suzy Welch**
PAGES: 256
PRICE: ₹1,385
HarperBusiness

There was a time when MBA schools were mushrooming all over India as the next big thing in education to fetch that elusive six figure salary and a well heeled job. Things have come a long way from there, but still doing a full-time or a part-time MBA, or even an executive management programme is very alluring to most professionals. It's in this context that the book becomes very relevant and timely.

I found doing my MBA – after a few concrete years of work life in the corporate sector – was insightful, practical and particularly rewarding. In this book, authors Jack and Suzy Welch, who have synthesised their collective experiences of teaching, coaching and mentoring managers globally for over 30 years, have gone to great lengths in elucidating the real-life principles and practices of what doing business and being in business means and how that's what doing an MBA is all about. In a very easy, lucid style, they start with the favourite analogy of mine that everything is a sport and a game, and it's always about the "GAME" – strategising, analysing the strengths and weaknesses of the opponents, and tactically placing your talent and teams to play to win, while following the rules. It's easier said than done. And Jack and Suzy tell you just how.

From there on to leadership and building winning teams... Building high performing teams, sustaining and scaling them up is as much of an art as science. Building a great team surely starts with hiring right and how carefully the right culture needs to be proactively built. It's also interesting to see how the book unambiguously puts its weight behind building a positive culture and teams having a positive outlook all the time, no matter the various business challenges that an organisation or teams face from time to time. The need to cull negativity and negative personalities very early is critical to building a promising culture for a "wow" team that creates and sustains high performance, and has fun while doing that. The concept of enjoying all this as a fun game, is so refreshing and Jack and Suzy make it amply clear in the book about the need to be sporting in one's life journey.

The final part of the book is absolutely the game changer – Life being all about "You". Life being on two superhighways and identifying one's AoD (Area of Destiny) and trying to be in that zone all the time is simply brilliant. It's so true that most people struggle to intersect these two superhighways of capability and happiness, and live a life of constant upheavals, frustrations, and resentment. It's so important, as Jack says, to reinvent and find that balance of life by making the right choices and facing up to the consequences. To find what one is really good at and to zero in on that is not easy, while it may be easier to identify what one enjoys doing. And to find an opportunity at the intersection of that both is even more difficult and trying. But there is absolutely no doubt that doing what you are good at and what you enjoy most is surely at the core of leading a happy, successful and satisfying life. It's only then that one's passion comes to the fore to drive excellence and add the necessary energy, zip and zest to life, and the ride on the highway becomes rather easy. The book provides an excellent narrative and some great examples of people who made some remarkable and outlier career shifts to be in their zone of destiny – "AoD"

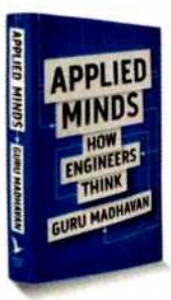
Overall, the book is an excellent read, practical to the core, and offers enough to drive the reader into the AoD's on the superhighways of life. ◆

*The reviewer is Country Head (India), Kronos Incorporated*

**It is interesting to see how the book puts its weight behind building a positive culture and teams having a positive outlook all the time**

# An engineer's delight

## The book points out solutions that an engineering mindset can create. By GANESH NATARAJAN




***Applied Minds: How Engineers Think***
**By Guru Madhavan**
PAGES: 272
PRICE: ₹449
Penguin Books India

The most captivating part of this insightful book is the chapter on the cleaning of the Ganges in Varanasi, a subject that has been discussed in many forums by the present as well as past governments. Quoting Mark Twain's famous assertions that "In religion, all countries are paupers, India is the only millionaire" the author recounts his meeting with a 'holy engineer' the high priest of the Sankat Vimochan Hanuman temple.

Mishra graduated in civil and municipal engineering and fluid mechanics, followed by a PhD and then became a Professor and Head of Department at the Banaras Hindu University. He spent many years using his engineering background, combined with priesthood, to research causes and possible solutions for cleaning the Ganges. Dispelling the popular notion that the river has been soiled because of the number of bodies deposited into the river, Mishra and his colleagues attribute 95 per cent of the problem to 'point sources' like domestic and industrial sewage. They advocate installation of nonelectric, gravity-fed interceptor sewers to collect treat and recirculate the waste, an engineering solution based on appropriate technology.

This book is an engineer's delight as it provides multiple examples of the solution spaces that an engineering mindset can create for solving complex problems. Articulating the engineering mindset as the ability to 'see' structure where there is none and the adeptness to design under constraints, the author considers science, philosophy and religion as the pursuit of truth while engineering is at the centre of producing utility under constraints. Google Maps is one outstanding example provided. It emanates from Google's mission to 'solve really large problems' which motivated their engineers to consider over fifty million miles of paved and unpaved roads in 195 countries. The solution emanated from the acquisition of visual data and the development of a large-scale systems model along with accurate road-positioning. This book provides many such insights and is a worthy addition to the bookshelf of every engineer and manager.

Another great insight attributed to none other than the late Dr Kalam comes from the story of an engineering project that had to be finished in a tight deadline in his junior year in college. Kalam famously said, "If something is at stake, human minds get ignited and the working capacity gets enhanced manifold". Quoting him, the author suggests that deadlines and constraints don't suppress innovation but serve to give it direction. With so many millions of engineers graduating every year in our country, maybe it is this book and specifically this exhortation that can provide the spur to action this country needs on so many fronts. ◆

*The author is Chairman, NASSCOM Foundation and Chairman of Knowledge Management and Business Transformation Committee of CII*

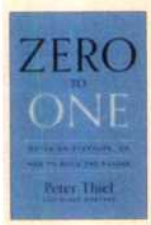
### Who Cheats and How?

THE FORTNIGHTLY PICK

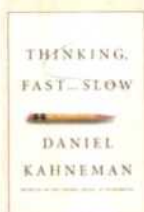
By Robin Banerjee
SAGE Publications
Price: ₹475

This book presents a comprehensive perspective on the frauds and scams that pop up in the corporate world.

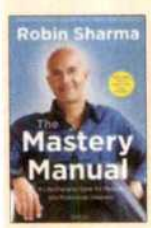
## BUSINESS BESTSELLERS*




*Zero to One*
By Peter Thiel
Random House
Price: ₹499

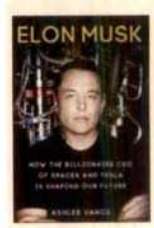



*Thinking, Fast and Slow*
By Daniel Kahneman
Penguin
Price: ₹499




*The Mastery Manual*
By Robin Sharma
Jaico Publishing House
Price: ₹199

*Arise, Awake*
By Rashmi Bansal
Westland Books
Price: ₹200




*Elon Musk*
By Ashlee Vance
Virgin Books
Price: ₹699

*Top books by sales for 30 August-12 September, 2015; Includes only books released after July 1, 2014; Information provided by amazon.in

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**Joy Recruitment Services**
Area Manager Operations
**Location:** Mumbai, Thane
**Job ID:** 17451048
**Description:** Working like budgeting for various tasks and report directly to the City Manager.

**Rajarajeshware Builddcon Private Limited**
Deputy General Manager
**Location:** Bengaluru / Bangalore
**Job ID:** 17452421
**Description:** Administer everyday working of all marketing, claims and underwriting departments.

**Pragati Corporate Consultancy**
Head – Human Resources
**Location:** Mumbai
**Job ID:** 17416448
**Description:** Develop and implement the HR Strategy in-line with the Vision of the Company, Oversee and implement all HR policies.

**Complete Management Solutions**
National Sales Manager
**Location:** Chandigarh
**Job ID:** 17449288
**Description:** Developing and implementing sales strategies for increase of market share and profitability on sustainable basis.

**Technology Solutions And Services**
Sr. Ad Sales Manager
**Location:** Delhi
**Job ID:** 17315217
**Description:** Must have B2B Sales experience in business Development.

**Vitasta Consulting Private Limited**
Sr. Manager - Contracts and Compliances
**Location:** Mumbai
**Job ID:** 17449661
**Description:** Candidate should have at least 10 – 15 years of relevant experience in a finance/legal function.

**Saviance Technologies Private Limited**
Head Operation
**Location:** Noida
**Job ID:** 17450066
**Description:** Strong People, Process, and Service Management skills etc.

**Core Edge Solutions**
AVP - Legal
**Location:** Mumbai
**Job ID:** 17443219
**Description:** Identify and drive key initiatives including development of systems and SOP's for effective transactions.

**Vertex Corporate Services India Pvt. Ltd.**
Zonal Manager HR
**Location:** Hyderabad / Secunderabad
**Job ID:** 16679616
**Description:** Should have a good network. Ability to function in a rapidly expanding result oriented environment.

**Sukhvarsha Management services Pvt. Ltd.**
Senior Quality Manager
**Location:** Chennai
**Job ID:** 15989654
**Description:** Responsible to reduce Customer Complaints and In-house complaints.

**Polaris Financial Technology Limited**
PM - Project Manager
**Location:** Mumbai, Thane
**Job ID:** 17260657
**Description:** Client handling skills are must, BFS experience is added advantage.

**TecHunt Consultants**
Devops Engineer/Cloud Operations Engineer
**Location:** Mumbai
**Job ID:** 17452380
**Description:** Experience tuning Java applications and J2EE servers.

**Business Intelli Solutions India**
Automation Tester
**Location:** Hyderabad / Secunderabad
**Job ID:** 17452797
**Description:** 3 to 5 years of test automation experience using QTP and related frameworks.

**Arise Career Solution**
Android Developer
**Location:** Ahmedabad
**Job ID:** 17452770
**Description:** Develop and improve mobile applications with standard development tools.

**Orcapod Consulting Services Private Lim**
Associate Consultant SAP PP
**Location:** Chennai
**Job ID:** 17452763
**Description:** Ability to understand the custe business processes and the IT landscaperapidl able to foresee the likely challenges.

**iQuest Management Consultants Pvt Ltd.**
Sr. Backend Developer
**Location:** Bengaluru / Bangalore
**Job ID:** 17452762
**Description:** Expert-level knowledge in e PHP or Node.js or both.

**Comfyi Solution**
Dot .Net Programmer
**Location:** Chennai
**Job ID:** 14515843
**Description:** Developers with knowledg trained in any one of vb.net, Ado.net, Asp.n c#.net.

**Replicon**
Senior Cloud Operations Engineer
**Location:** Bengaluru / Bangalore
**Job ID:** 14518866
**Description:** Responding to Alerts on monitc tools, Identify the root cause and troubleshoot e

**Athena HR Services**
Scheduler Administrator
**Location:** Noida
**Job ID:** 17453834
**Description:** Scheduler Administrator to perf L2 Batch Scheduling work with sound knowle in scheduling concepts.

**Teneno**
Java Developer
**Location:** Hyderabad / Secunderabad
**Job ID:** 17452696
**Description:** Proficient in Core Java/J programming, Java script, spring and Eclipse ID

**Jobsnta HR Services**
Android Developer
**Location:** Cochin / Kochi / Ernakulam, Thiruvananthapuram / Trivandrum
**Job ID:** 17126381
**Description:** Sound knowledge in Java and ob oriented concepts.

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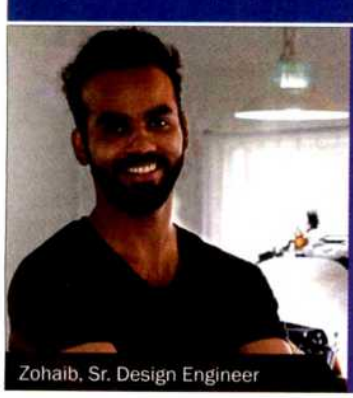
Zohaib, Sr. Design Engineer

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Sales Manager
**Location:** Thiruvananthapuram / Trivandrum
**Job ID:** 17452788
**Description:** Development of a high performing Adviser team with low attrition rates.

**CoreIT Services Private Limited**
Business Development Executive
**Location:** Mumbai
**Job ID:** 17452647
**Description:** Ability to develop relationships at CEO and CTO/CIO level and "read" and access decision makers.

**Sunrise Consultancing Services**
Marketing Manager
**Location:** Jaipur
**Job ID:** 17452486
**Description:** Ability to maintain good public relations with corporates,colleges & Hospitals.

**Strategic Outsourcing Services Pvt. Ltd.**
Sales Executive
**Location:** Bengaluru / Bangalore
**Job ID:** 17452376
**Description:** Will be responsible in handling entire Sales & developing new clients.

**Mastermind E Solutions private Limited**
Marketing Executive
**Location:** Delhi, Gurgaon
**Job ID:** 17450612
**Description:** Looking for someone with a strong personality and a bottom-up attitude.

**DS Placement Services**
Business Development Executive
**Location:** Bengaluru / Bangalore, Chennai
**Job ID:** 17449412
**Description:** Need to Generate Leads from Your Own Network Market. Get Hr Contacts or Job Opening Status Etc.

**NetBrains Consulting & Solutions Private Limited**
Sr. Sales Executive
**Location:** Noida
**Job ID:** 17449033
**Description:** He must have exposure of selling of Commercial and Residential Building.

**Dexterous Solutions Limited**
Marketing Executive
**Location:** Mumbai
**Job ID:** 17448406
**Description:** Selling products of the Company-Geriatric/orthopedic equipments.

**ABC Consultants Private Limited**
Business Development Manager
**Location:** Mumbai, Pune
**Job ID:** 17448200
**Description:** Business development including market making, demand generation and demand fulfilment.

**Matrix Management Services**
Sales Manager
**Location:** Chennai
**Job ID:** 17447919
**Description:** Responsible for the business strategy of the Horeca channel.

**Futures Ahead**
Financial Controller
**Location:** Mumbai
**Job ID:** 17452798
**Description:** To supervise and manage financial processes and operating policies & procedures of the company.

**HR Zones Management Consultants Private Limited**
Accountant
**Location:** Mumbai
**Job ID:** 17452636
**Description:** Prepare Monthly Financial Reports in SAP and knowledge of Excel.

**RR Donnelley India Outsource Private Limited**
Financial Associate
**Location:** Chennai
**Job ID:** 17452624
**Description:** Analyze financial statements and disclosures of US companies.

**Topsource Infotech Solutions Private Limited**
Sr Executive Internal Accounts
**Location:** Pune
**Job ID:** 17131734
**Description:** Ensure that the tasks assigned are completed on time, accurately and completely.

**Royal Consulting Services**
Accounts Executive
**Location:** Delhi, Dehradun
**Job ID:** 17447277
**Description:** Vendor Payments & issuing che Preparation of General Accouning & Invoices

**Oceanic Placement**
Finance Manager
**Location:** Mumbai
**Job ID:** 17445616
**Description:** Should have very good contacts banks, financial institutions,knowledge in fore:

**Golden Global Human Resources**
Sr Executive – Billing Department
**Location:** Chennai
**Job ID:** 17445542
**Description:** Coordinate with Qube Marketir receiving the Billing details for your territory raise correct invoices.

**Team One**
Senior Manager Finance & Accounts
**Location:** Cochin / Kochi / Ernakulam
**Job ID:** 17444811
**Description:** Responsible for Overall incharg finance and accounts.

**Multi Recruit**
Accounts Head
**Location:** Bengaluru / Bangalore
**Job ID:** 17442534
**Description:** Responsible for hand independently entire Accounting functions of Company.

**Sampoorna Computer People**
Sr. Manager Finance
**Location:** Chennai
**Job ID:** 17439491
**Description:** Looking for an Executive / Manager - Finance who is highly organized good Communication Skills.

**RightMatch HR Services Private Limited**
Manager - Accounts
**Location:** Mumbai
**Job ID:** 17435263
**Description:** Preparing MIS (summary Company surplus treaties entered into by company) on monthly and quarterly basis.

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**Nana Patekar**
Actor

## Real Life Hero

**Deficient monsoon rainfall has affected farmers across the country. Maharashtra, in particular, has been dealt a body blow with the state government planning to declare nearly 8,000 villages drought-hit. Amidst the despair, help has come from an unlikely quarter. Bollywood actor Nana Patekar has set up Naam Foundation with fellow Marathi actor Makarand Anaspure and will donate money to distressed farmers. A National Film Award winner, Patekar and Anaspure have reportedly donated some ₹15,000 each to 113 families of farmers who have committed suicide in the state.**

GETTY IMAGES

**Cyrus Poonawalla**
Chairman, Poonawalla Group

## Home Truths

The real estate market is somnolent but big-ticket deals appear to be making a strong comeback. Two recent deals in Mumbai show that some high-networth individuals have retained their appetite for buying coveted addresses. Take the instance of Cyrus Poonawalla, Chairman of Poonawalla Group, who has scooped up a seaside mansion – Lincoln House – which was used as the US consulate. At ₹750 crore, it is considered one of the most expensive residential purchases in the country. The deal comes hot on the heels of industrialist Kumar Mangalam Birla's decision to snap up Jatia House, an iconic 30,000-sq ft south Mumbai bungalow for a staggering ₹425 crore.

# THE LAWS OF OLDER AUTO MAGAZINES

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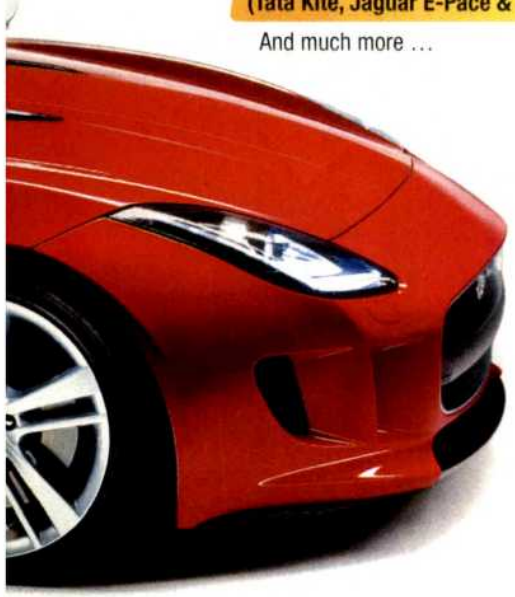
- Budget Automatics Alto K-10 vs Nano
- 3 Scoops (Tata Kite, Jaguar E-Pace & Bajaj RE60)

And much more ...



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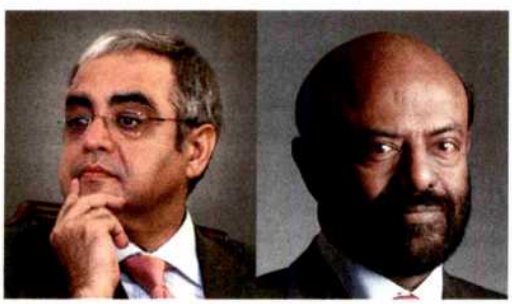
N.R. Narayana Murthy (left) and Nandan Nilekani

## New Beginnings

Internet and mobile tech start-ups seems to be attracting the founders of software giant Infosys. N.R. Narayana Murthy has recently invested in online insurance distribution portal Coverfox.com. It provides comparison of insurance plans, expert recommendations. Another Infosys co-founder Nandan Nilekani has also invested in an early-stage start-up. He is betting on Bangalore-based mobile payments data startup Mubble. It is Nilekani's second investment this year.



Sanjay Kalra (left) and Shiv Nadar

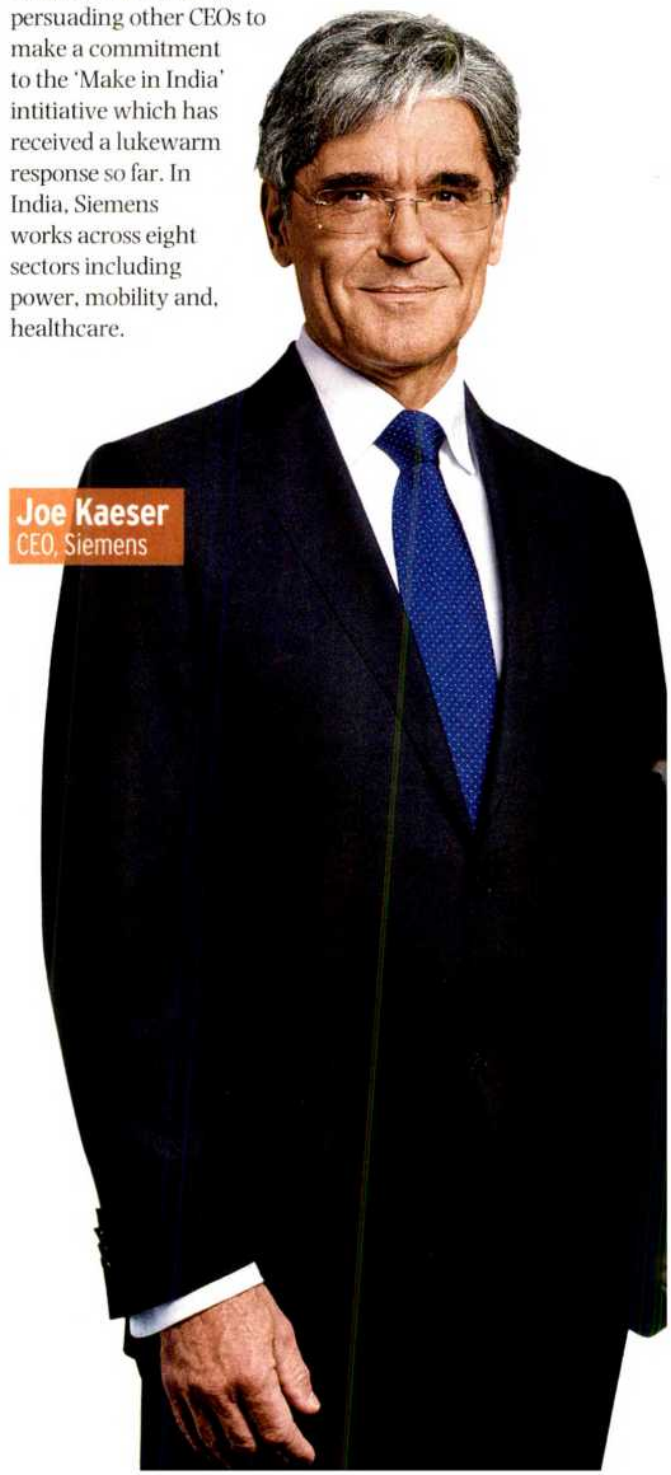
## Dynamic Duo

Nearly 39 years after setting up his most successful venture HCL, Shiv Nadar has launched an investment firm along with Sanjay Kalra, former CEO of Tech Mahindra. He will spend some $500 million in acquiring IT product and platform companies, especially in the healthcare technology space, in India and the US. The investment firm – Shiv Nadar & Sanjay Kalra Associates LLP – will look at the broad spectrum of areas within healthcare, including hospitals, ambulatory, physician practice, information exchanges, commercial insurers, insurance exchanges, among others.

COMPILED BY MANU KAUSHIK

## Star Catalyst

Prime minister Narendra Modi's ambitious 'Make in India' programme got a major fillip recently when German engineering conglomerate Siemens announced its plans to invest one billion euros in India and add 4,000 more jobs to its existing headcount of 16,000. Joe Kaeser, CEO of Siemens and the man behind the move, has worked in various capacities in the company over the past 30 years. Indeed, he could be influential in persuading other CEOs to make a commitment to the 'Make in India' intitiative which has received a lukewarm response so far. In India, Siemens works across eight sectors including power, mobility and, healthcare.



Joe Kaeser
CEO, Siemens

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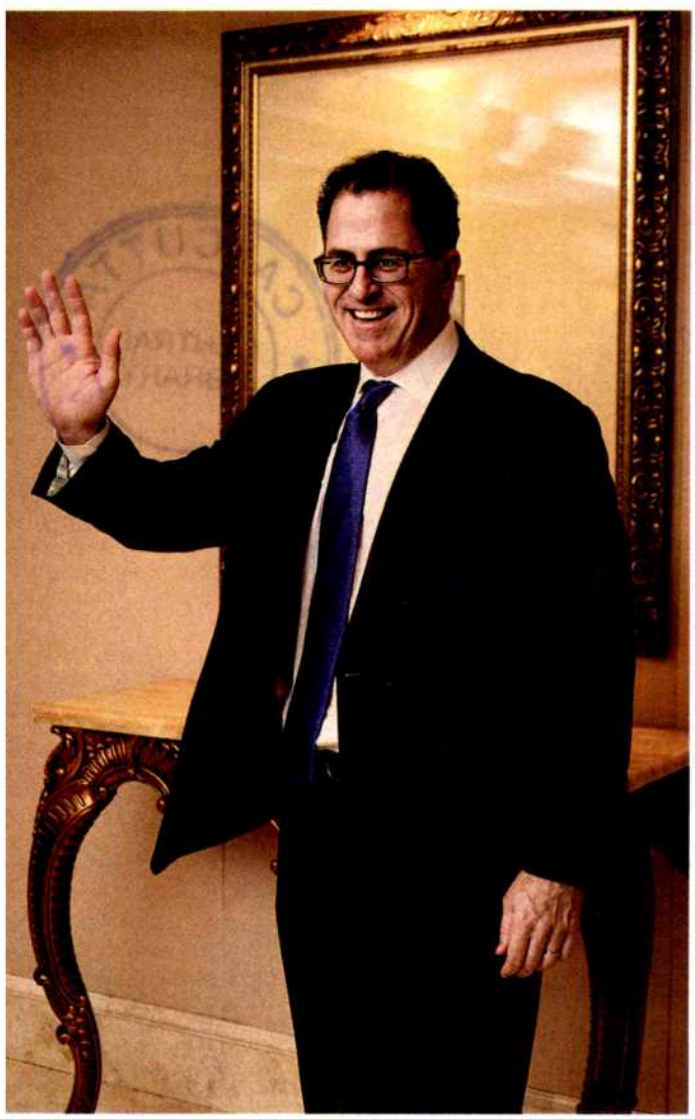
Full interview with Michael Dell at businesstoday.in/dell-michael

# "It is a lot easier being a private company"

On a recent visit to India, **Michael Dell**, Chairman and CEO of his eponymously named firm Dell Inc, spoke at a select media roundtable which included **Venkatesha Babu** of Business Today. Edited excerpts from the conversation



NILOTPAL BARUAH

***How has going private helped the company?***

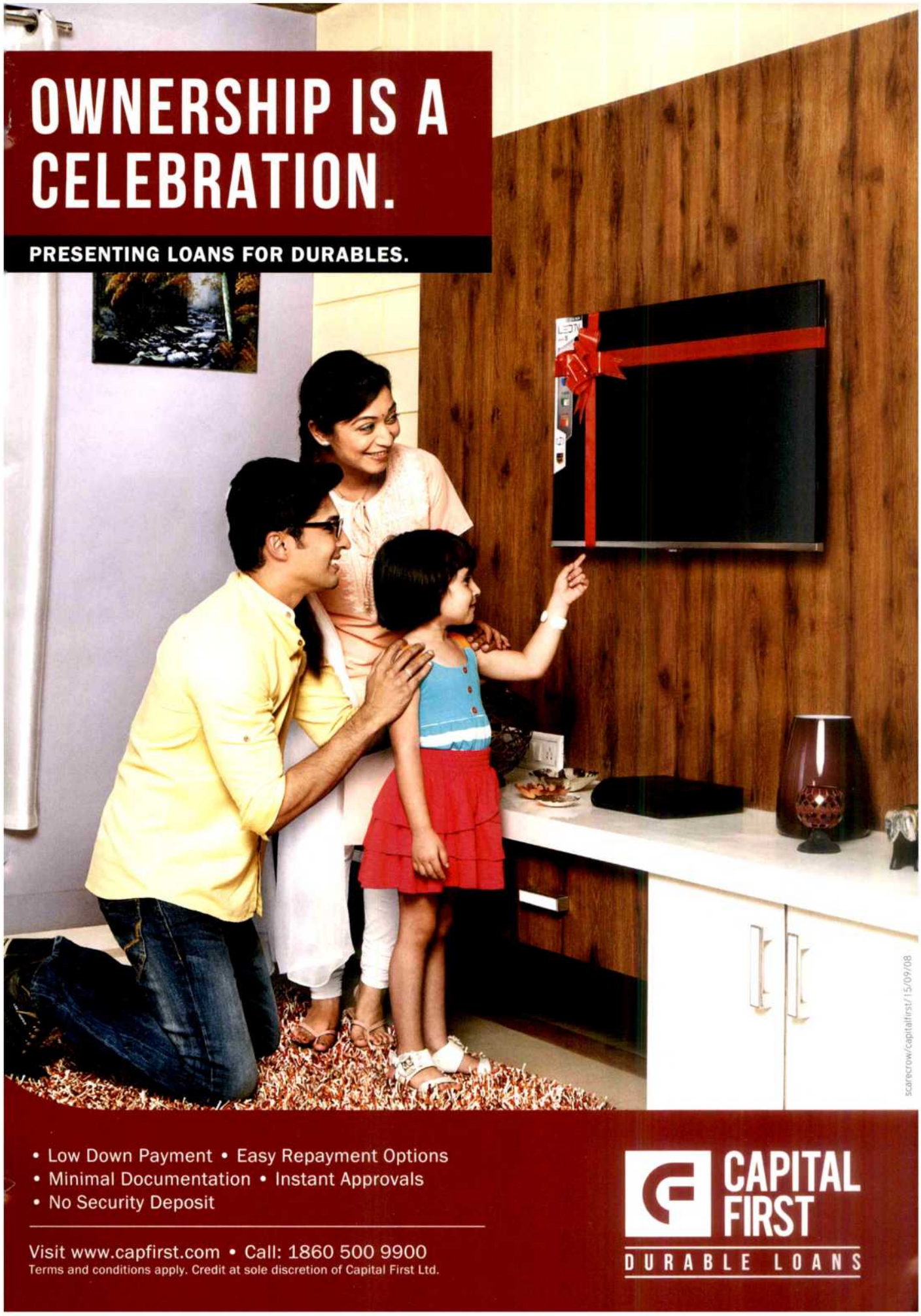
If you look at market share data, we have had growth and marketshare gains for ten quarters in a row. That is the first time in a decade that has happened, which indicates that something different is happening. Being a private company has helped us focus on a 5-10 year kind of vision rather than short-term ones which public companies are often forced to. We are investing heavily in sales, partners and channels capacity. There have been no downsides about going private. When we went public in 1988, we couldn't have got that kind of capital anywhere else. It is a whole lot easier being a private company.

***What is your outlook on the PC market?***

We see a consolidation in the PC space. If you look at the top three companies, they are gaining share. In the first half of this year, we outgrew the other two in notebooks. The last 10 quarters in a row we have continued to gain share. The top three only have about 53-54 per cent share, so I personally believe the top three could go to like 80 per cent market share not in a year or two but more like in five-six years. We have been growing (our share) inspite of the overall (PC) market shrinking.

***Your view on the startup eco-system in India?***

It is dramatically different from what it was even four to five years ago. We do a lot of things around the world to support entrepreneurs. We want to be their best friends and sell our products to them. We provide services, capital, ideas, mentoring and we have the Dell women entrepreneur network. Dell Ventures makes investments across the world including Asia. I am currently the UN ambassador for Entrepreneurship. I am excited about the startup ecosystem in India.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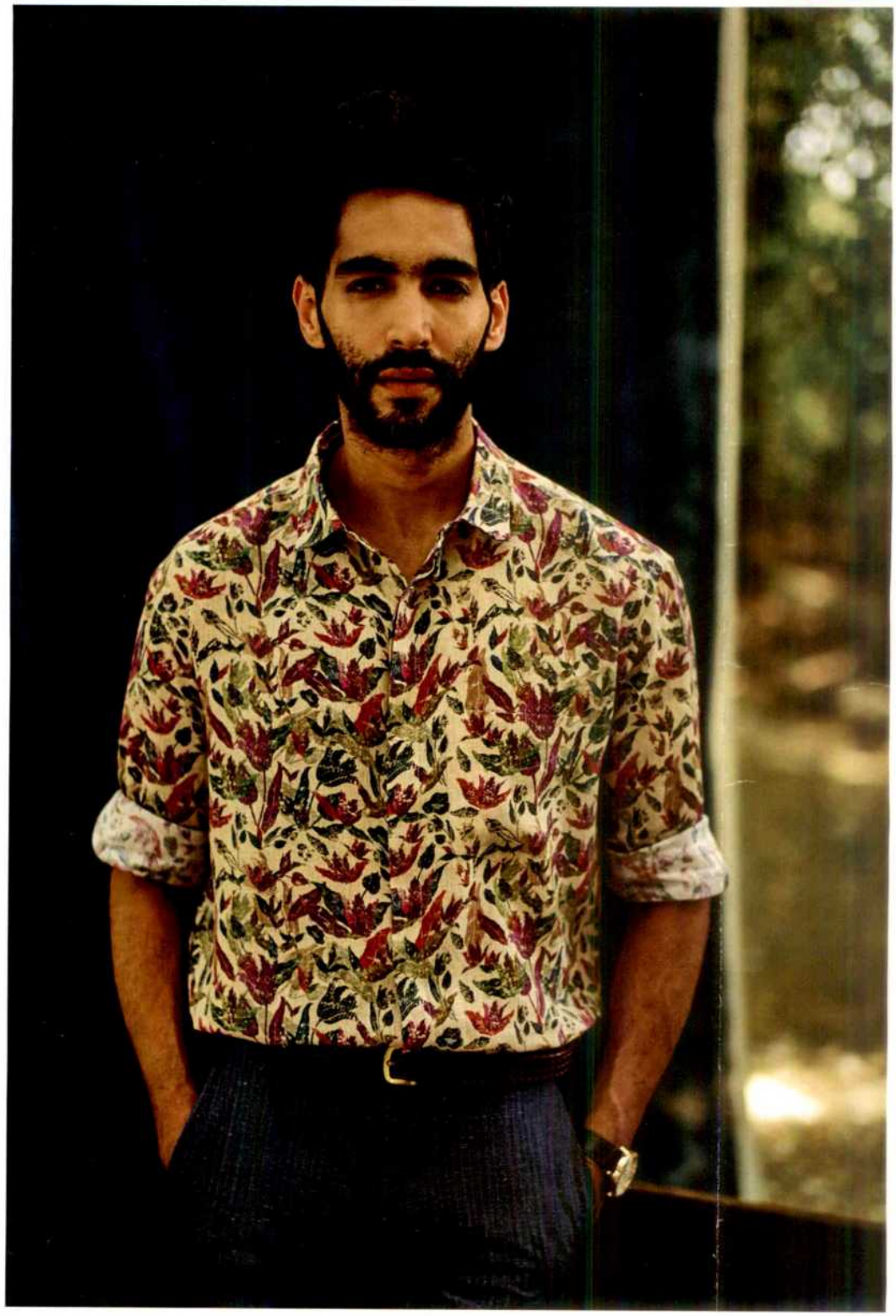

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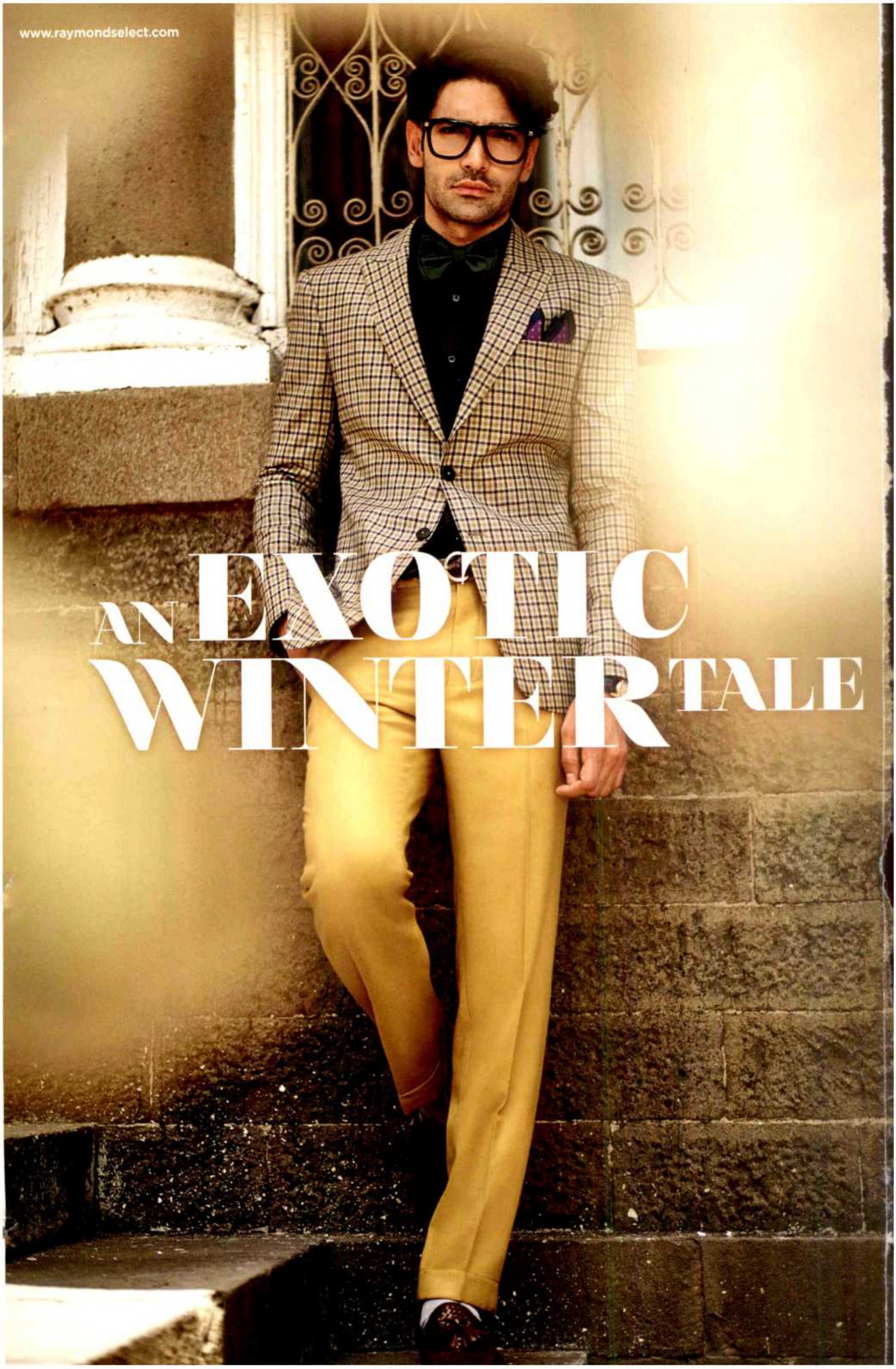
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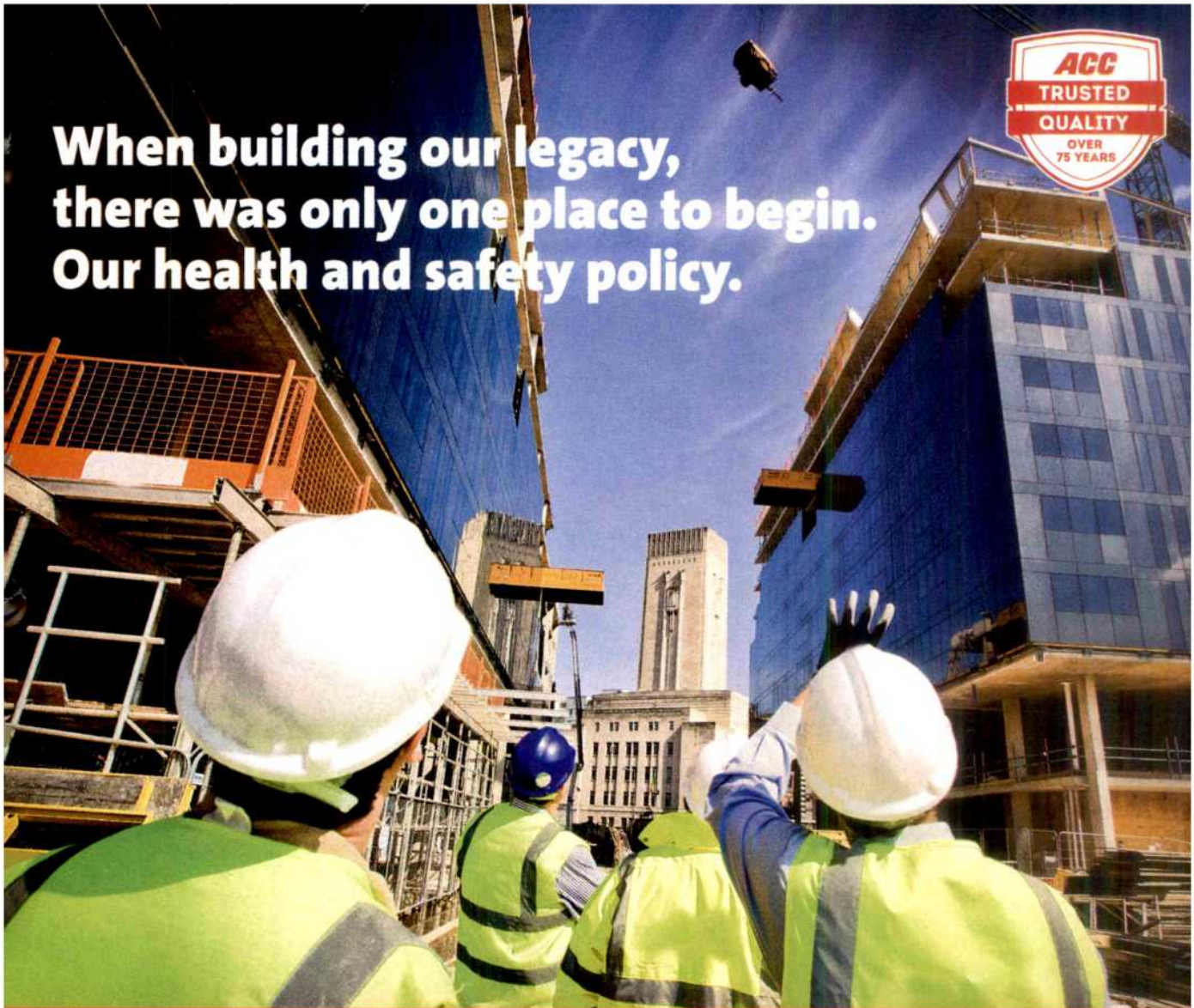


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# From the Editor

# Power Tangles

According to statistics put up on the CEA website, at the end of May 2015, a total of 19,706 villages remained to be electrified in the country. These are the villages that have no electricity connections at all. There are probably double the number of villages that have some sort of electricity line passing through them, but where the houses have no power connection. And an even larger number of villages where homes might have a power connection, but do not enjoy more than an hour or two of electricity at best any day. Even bigger towns and big cities often have many areas that see power cuts for seven to eight hours a day.

The current estimates are that some seven crore households and about 28 crore people in the country still do not have access to electricity, 68 years after Independence.

And it is not as if industrialists and businessmen enjoy unlimited access at the cost of poor consumers in villages and towns. One of the biggest threats to India's economic growth – and Prime Minister Narendra Modi's Make in India plans – is the erratic power supply to industry and services. (Other infrastructure bottlenecks – from roads to ports – are also equally responsible, but more on that subject another day.)

The flip side of the issue is that India has huge coal supplies, the fuel of choice for the bulk of the conventional power plants. Indeed, India has the second-biggest reserves of coal in the world. We also have abundant sunlight – one reason the government has set an ambitious target for 100 gigawatt of solar energy to be generated by 2022.

More importantly, enormous investment has gone into the building of power plants – both conventional energy as well as new sources. In fact, power generation has been a great favourite of all industrialists who are seeking an infrastructure play. In the past 10 years, 160 GW of conventional and unconventional power production capability has been added.

So, what is the problem exactly? Well, for one, historically no one has tried to think of a comprehensive plan for the power sector. Piecemeal solutions have been attempted. In the 1990s and much of 2000s, the conventional wisdom was that power generation was the problem. This led to the opening up of the generation part to the private sector and a lot of investment came in. Capacities increased dramatically. But fixing power generation without fixing distribution and transmission did not solve the problem. Then a school of thought proposed privatising distribution as the way out. So far, it has been tried out with mixed success – in Odisha, it has been a failure, while in Delhi, it has been a partial success, but with the distribution companies and the government often at loggerheads over many issues. And, of course, power cuts still remain in Delhi.

But over the past two decades, the state-owned distribution companies have ended up being the biggest culprits to the dream of power for all. Twenty-one of the 29 state electricity boards have notched up such enormous losses that they do not want to buy power even when it is easily available. The UPA government tried to fix the problem but failed. Now Modi is trying to do the same. The question is whether even he – or his talented Power Minister Piyush Goyal – can actually sort out this tangled mess. Read about it in our cover story on page 60.

This issue also carries our technology special report. It looks at how robots are revolutionising the services sector, how artificial intelligence is solving everyday problems, and how wearable technology is becoming a hot business for entrepreneurs... and lots more. It starts on page 75.

Prosenjit Datta

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## Black Money Act a Mere Eyewash

This refers to your cover story on black money (*White Money, Black Money, Grey Money*, October 11, 2015). It would be naive to imagine that a mere Act can help the government bring back all the black money to the country swiftly. I believe that this issue has been given undue coverage and attention, especially in the wake of Prime Minister Narendra Modi promising ₹15 lakh in every citizen's account if he was voted to power. Black money does not work in isolation; as the story shows, it is not only impossible to track, but even more difficult to indict people for holding it. For the past six decades, governments of various countries have helped build the system of black money. How does one allow investments from tax havens with one hand and stop black money with the other? Black money abroad is a wonderful, deceitful dream that the government wants us to see, while it covers up its limitations in tackling it through half-hearted policies. If it really wants to do something about it, then just start with all the realty projects in NCR. The act of cleaning up, like social work, begins at home. Will the government make efforts to nab fraudulent property dealers in Delhi before attempting to arrest billionaires partying in Bahamas?

**Vijay Malhotra**, *Lucknow*

*Business Today*'s article on black money was insightful and descriptive. In the run-up to the elections, black money had been highlighted as one of the most important issues that the NDA government would tackle. A year and a half into power, I guess the government has realised that bringing back black money was easier said than done. The Act is not much to write about, but nevertheless, I see it as an important start in our quest to fight this evil. I doubt any of the promised money will be credited to our accounts anytime soon but I still believe that this is a welcome step. I hope the governments continues to improve the Act and regulate investments that come from dubious sources.

**Manoj Thakur**, *Pune*

## Bihar's Progress Hostage to Caste

This refers to your story *Battle for Bihar* (October 11). The story was lucid and managed to explain the situation without going into hyperbole. As someone who has been living in Bihar for the past 15 years, I must say that the present state of Bihar is like a half-baked cake; it looks fine to some but unappealing to others. Nevertheless, it is in a situation where it can soar to great heights, provided someone times the oven correctly. Also, I believe that no realistic development of Bihar is possible unless one looks at breaking the hegemony of the upper castes. With more than 80 per cent land under the upper castes, it is foolish to think that any development – social, economic or environmental – will benefit everyone. But sadly, it seems in the world of ballot politics, appeasing, and not opposing these caste barriers is the way to go forward.

**Mahesh Brijnath**, *Kolkata*

## SME Growth Needed for Make in India

This refers to the story on Best MSMEs (*Braving the Odds*, October 11). It was great to see that despite so many limitations, a number of Indian companies have managed to do so well. While the bigwigs take up all the news space and coverage, it is these companies on which the growth and progress of India depends. Every state in this country has enough resources to set up their own universe of SMEs. I believe that the ease in lending for these companies has helped create an ambient atmosphere for businesses. It is now time to set up an exchange, especially for companies less than ₹1,000 crore, so that they can list themselves and raise money from the public. Investments in such small, high-growth companies can help them scale up and take on bigger companies, which is important if we want to promote Make in India.

**Prem Tiwari**, *Mumbai*

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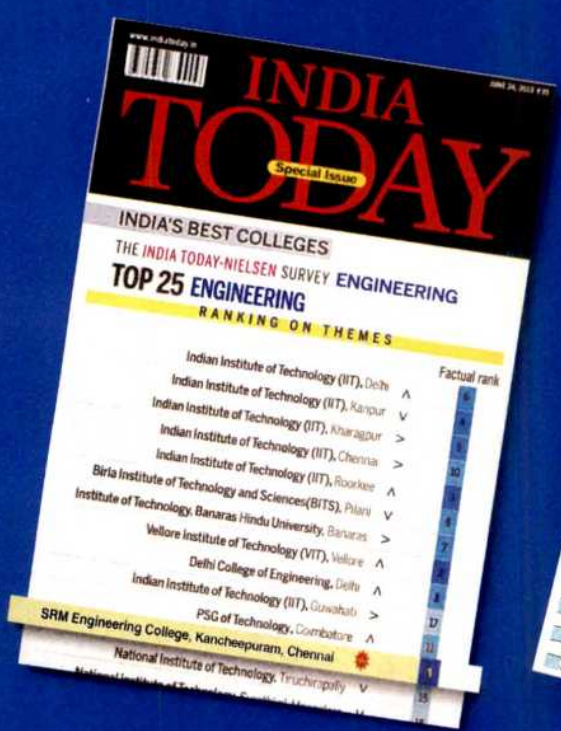


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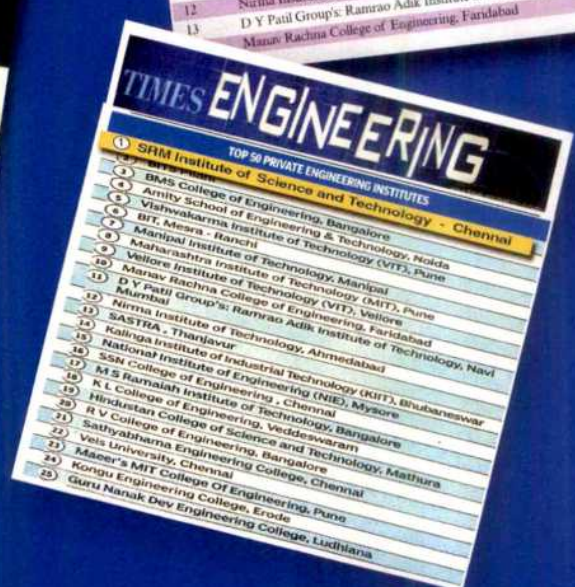


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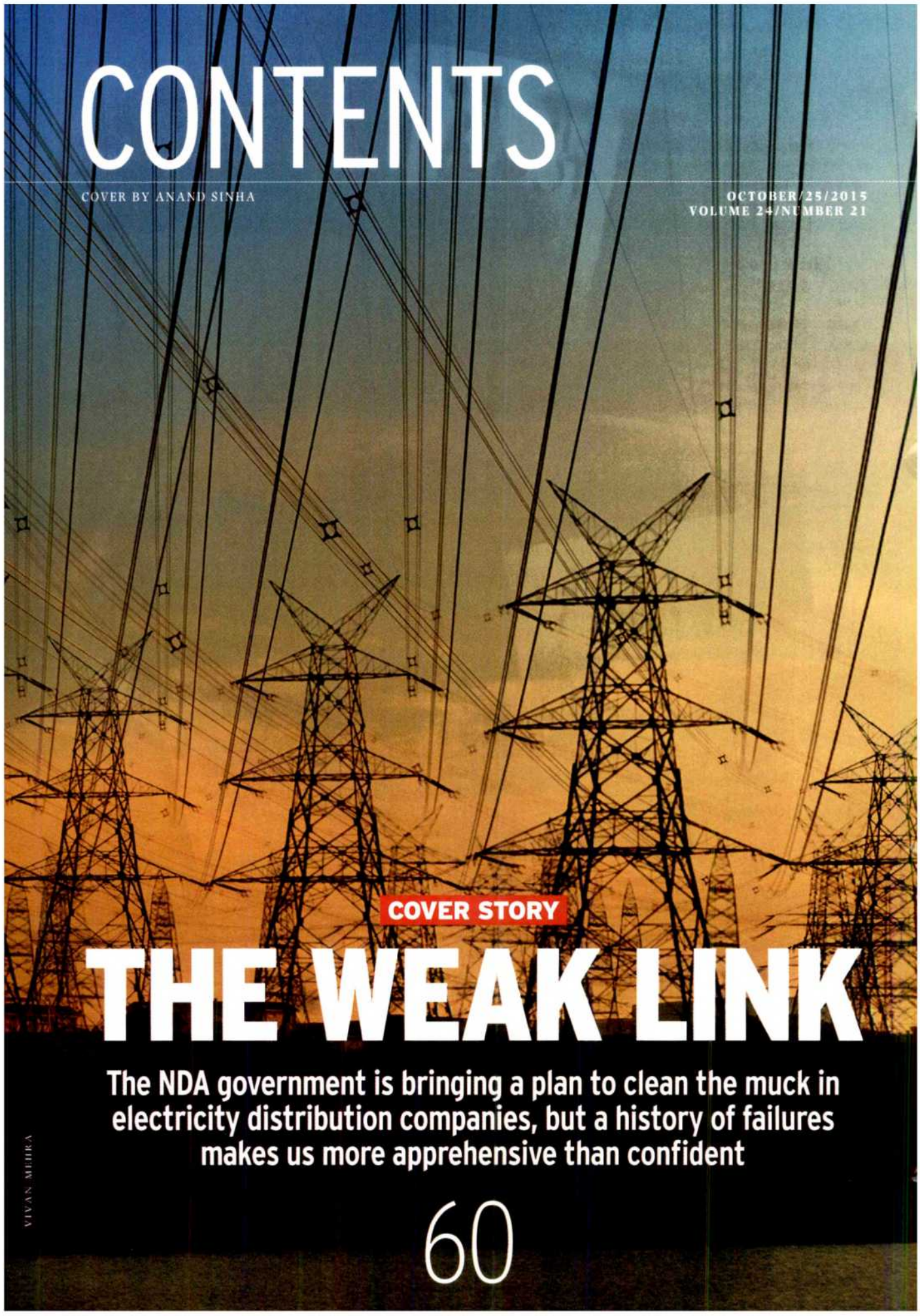

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VIVAN MEHRA

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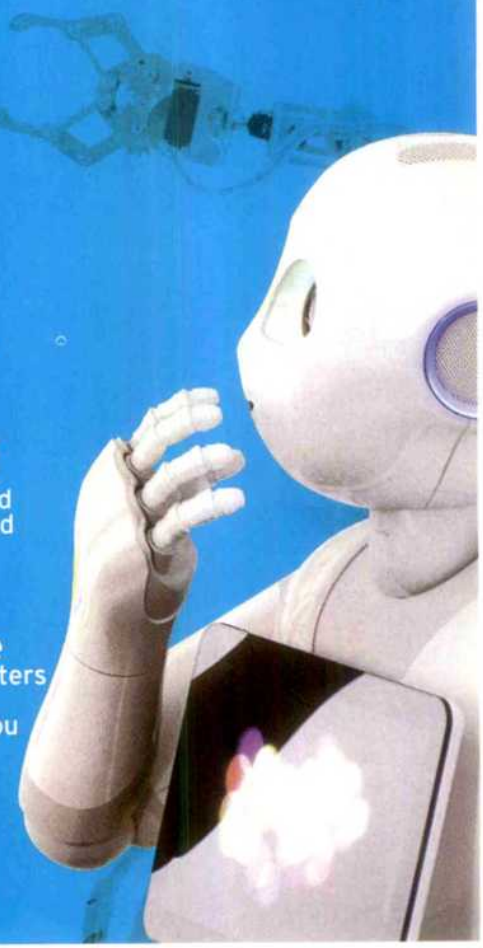

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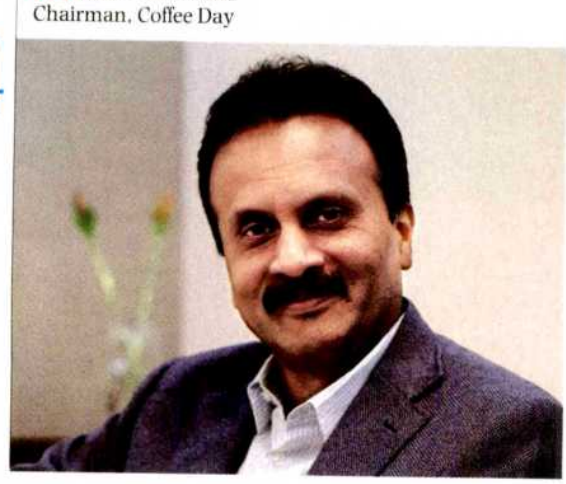

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## INTERVIEW

**"Brick-and-mortar and mobile banking to grow together"**
In an exclusive interview with *Business Today*'s **Anand Adhikari**, SBI Chairperson **Arundhati Bhattacharya** speaks about the emerging digital banking trends in India
businesstoday.in/sbi-bhattacharya

## NEWS

**More Indian Drug Firms Come Under US FDA Scanner This Year**
Out of the eleven warning letters issued so far by the Office of Manufacturing Quality of the US FDA this year, six were issued to India-based drug companies
businesstoday.in/pharma-scanner2015

**Torrent Wins Patent Battle Against Novartis**
Novartis AG and Mitsubishi Pharma Corporation lost a patent fight with Torrent Pharma in the US over Novartis' block buster multiple sclerosis drug Gilenya
businesstoday.in/novartis-gilenya

**New Kwid on the Block**
The launch of Renault Kwid has taken the competition in entry-level car segment to a new level. With the entry version priced at ₹2.57 lakh, Kwid would be competing directly with Maruti Suzuki Alto 800, Hyndai Eon and Tata Nano
businesstoday.in/kwid-competition

## BT COLUMN

**No Lessons Learnt on Dengue and Swine Flu**
E. **Kumar Sharma** questions why and how state and Central governments are caught off-guard every year
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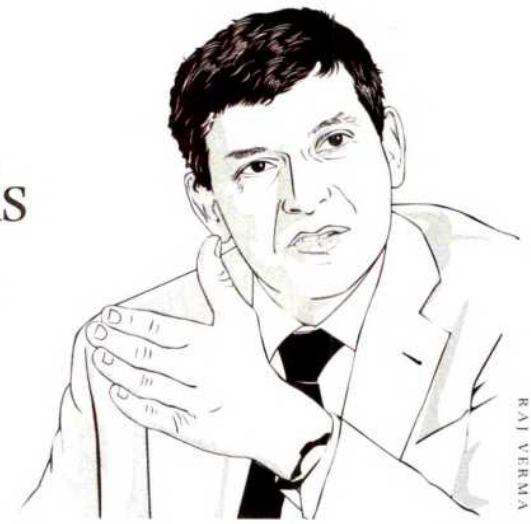

RAJ VERMA

After a surprise cut in the policy rate by 50 basis points, the central bank governor had to deal with questions from the press corps, some of whom called him Santa Claus while others hinted that he was a monetary hawk at heart. Rajan said that he was neither – he just did what he thought was right. Reportedly, his children did not like his quote though...

## BEHIND EVERY SUCCESSFUL MAN IS HIS MOTHER

The prime minister got emotional at the Facebook headquarters while describing how hard his mother worked to raise him. The Congress party insisted that Modi's mother devotion was a bit of a sham, given that he did not invite his mother for his swearing in as prime minister.

## ₹3,770 CRORE

The money actually disclosed as being held abroad by Indian citizens at the end of the deadline – midnight of September 30 – set by the finance minister in the new Black Money Act

## ₹6,500 CRORE

What the Prime Minister had said during his speech on August 15, 2015, as the amount collected under the Act till I-Day...apparently, he had been fed the wrong numbers

## $500 billion (₹ 32.8 LAKH CRORE)

The amount CBI thinks is the total black money being held abroad

## POLLUTERS ALL

The Volkswagen emission scandal has already claimed the head of its Chief Executive Martin Winterkorn. Other European manufacturers are also being investigated to see if they did something similar with their cars. Meanwhile, the EU is talking of tightening its emission norms for diesel. And for anyone who claimed that modern diesel technology vastly reduces pollution, this has been a huge setback.

## THE NEVER-ENDING DABHOL SAGA

The Centre has proposed one more plan to try and revive the jinxed Dabhol power plant, this time by demerging the Ratnagiri Gas Power Pvt Ltd into two entities. It has been 20 years since the plant was built – originally as a showcase project with Enron, GE and Bechtel as the partners. However, since inception, it has been plagued by persistent problems. In 2005, it was taken over by the Indian government and revived – but that was a temporary relief. Now one more plan hopes to get it going.

*T&C apply. Price mentioned is for Zest XE (Revotron 1.2T), ex-showroom New Delhi of the base variant without AMT. Accessories shown in picture may not be a part of standard equipment. Colours may not match the actual colours due to printing limitation. Premium SMS rates may apply. 'Winner of the overall mobility category as per the mentioned.

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## PUTTING HEADS TOGETHER

**WHAT:** Annual Meetings of the Boards of Governors of the World Bank Group and the International Monetary Fund.
**WHEN:** October, Lima, Peru

**WHAT TO LOOK FOR:** Brainstorming sessions on the challenges ahead for the global economy. Nearly 16,000 participants from 188 countries will descend on the Latin American city for the meetings.

04 - 06

## MERKEL IN INDIA

**WHAT:** German Chancellor Angela Merkel visits India
**WHEN:** October 4-6

**WHAT TO LOOK FOR:** Intergovernmental consultations to strengthen bilateral cooperation in areas such as green energy, smart cities, infrastructure development, skill development, clean river projects, etc.

06 - 08

## TOWARDS A GREENER PLANET

**WHAT:** Eye on Earth Summit
**WHEN:** October 6-8, Abu Dhabi

**WHAT TO LOOK FOR:** Before the climate talks on tariffs in November, it is a good opportunity for countries to understand the positions taken by other stakeholders and firm up their own response. The initiative by Environment Agency – Abu Dhabi (EAD) in collaboration with the United Nations Environment Programme (UNEP) has the backing of 48 countries.

19 - 21

## SAVING OUR CITIES

**WHAT:** 6th Asia Pacific Urban Forum
**WHEN:** October 19-21, Jakarta, Indonesia

**WHAT TO LOOK FOR:** Under the aegis of United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), the forum is a platform for urban policy administrators in the region to discuss emerging and critical urban development issues. The forum helps share experiences and best practices.

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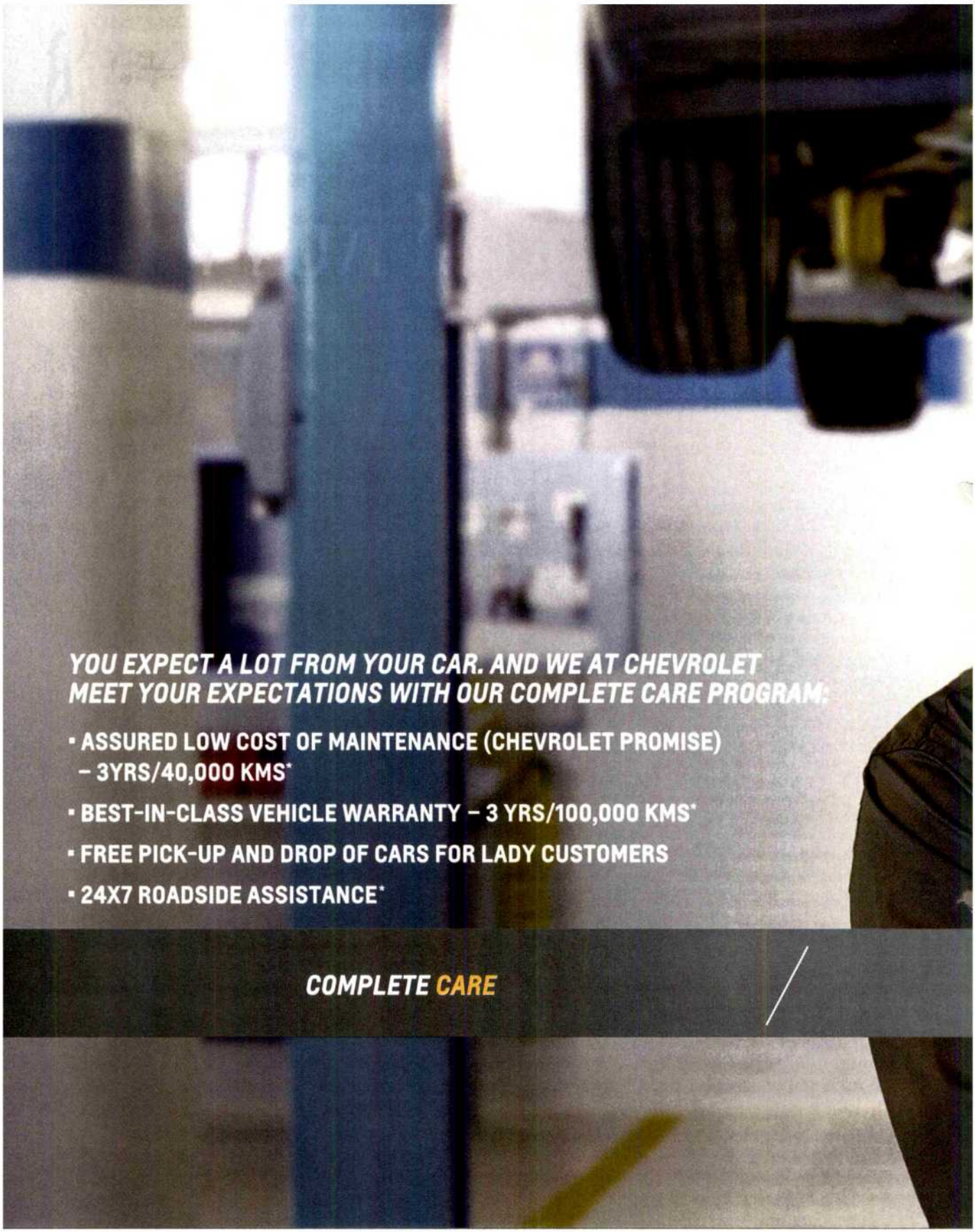


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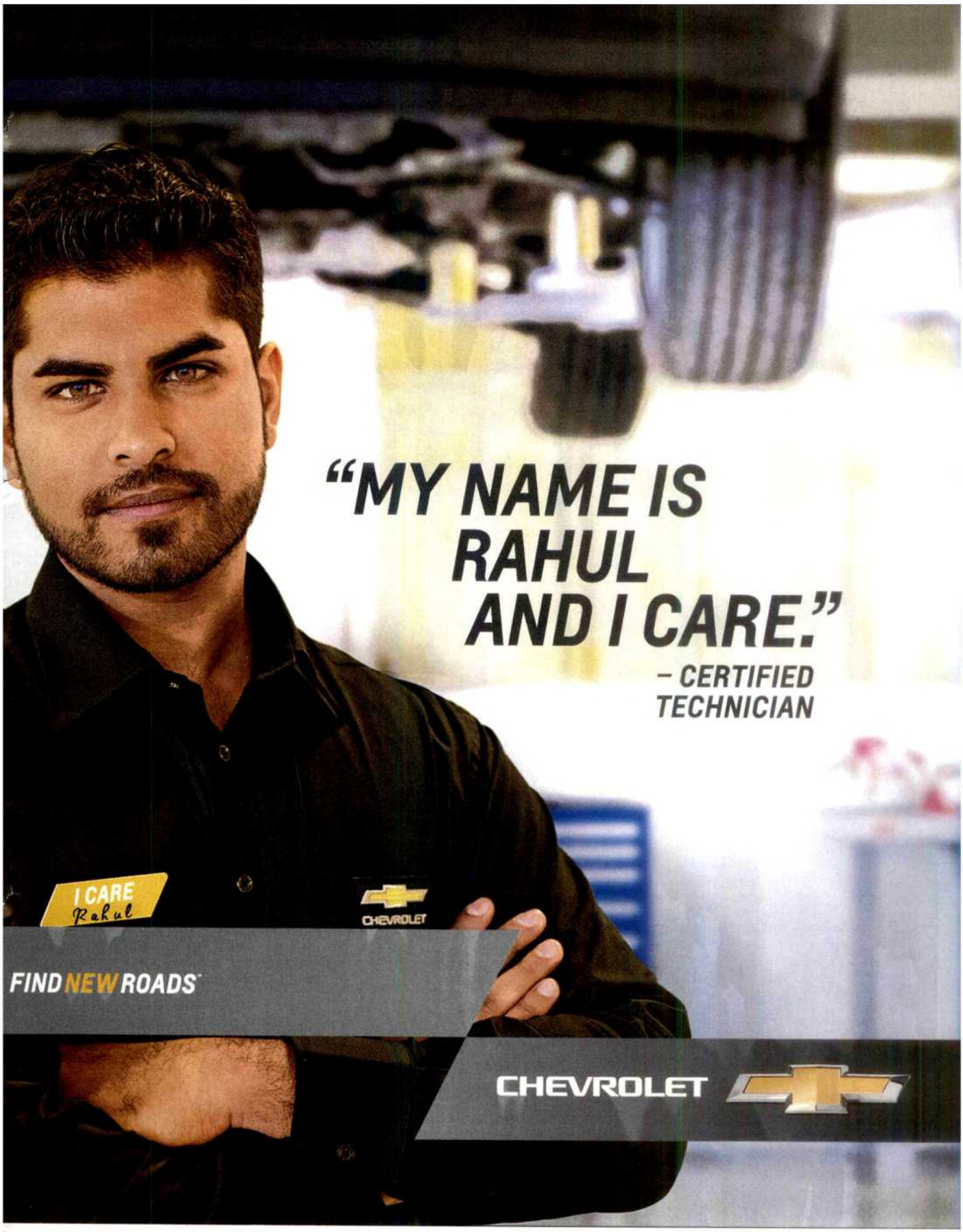


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# FOCUS

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30 The Wrong Note

# The Janus face of tax laws

**The central government wants to portray itself as investor-friendly, but inconsistencies on tax policies continue to haunt. By DIPAK MONDAL**

Finance Minister Arun Jaitley did not mince his words while defending the minimum alternate tax (MAT) controversy in March 2015, when foreign institutional investors criticised the government for levying retrospective tax. In a strongly-worded message Jaitley had declared that India was no tax haven. "Let it be clearly understood that India is not so vulnerable that every legitimate tax demand can be considered as tax terrorism. We are not a tax haven and we don't intend to be one," he had said.

Foreign portfolio investors (FPI), however, did not take kindly to the FM's words. Between March and April, the National Stock Exchange (NSE) Nifty fell around 9 per cent from 9,000 to the 8,100 level. And, this has not gone unnoticed.

In September, the government clarified that MAT will

not be applicable to foreign companies that do not have a permanent establishment or place of business in India. The law has been amended with effect from April 1, 2001. It effectively means that retrospective taxation in case of FPIs is passé.

The move brings forth the Centre's blow-hot-blow-cold attitude when it comes to tax issues. The NDA government had come to power with the promise of eliminating tax terrorism. It subsequently deferred the general anti-avoidance rule (GAAR) and desisted from pursuing the Vodafone transfer-pricing case. But, since then, some of North Block's actions have sent the wrong signals – be it the handling of the MAT issue or the 'hurriedly' drafted Black Money Act.

Tax experts and industry players are of the opinion that the Centre has not come good when it comes to implementation, in spite of all the right noises it had made initially. Says Milind Kothari, Managing Partner and Head, direct Tax, BDO India LLP: "The reversal of stand within six months reminds us of the Vodafone and Shell Premium controversies, where the government pursued the wrong cases and was ultimately defeated in court. This has harmed the credibility of the country."

Others say that the MAT issue could have been dealt in a different way. "Instead of going for an amendment in the finance bill and making an amendment that was prospective in nature and, by default, meant that earlier cases would come under the MAT ambit, the government could have just issued a circular. It is easier to recall a circular than undoing an amendment," says Sunil Jain, Partner, J. Sagar Associates.

The stringent Black Money law is also turning out to be a futile exercise to justify the NDA's pre-election rhetoric of bringing back black money stashed abroad. The government has barely managed to get disclosures worth ₹3,770 crore during the limited window period ending on 30 September under the Act. The government, however, looks to be in no mood to extend the deadline of the disclosure window.

"We have no credible estimation of black money lying abroad, though different agencies have come up with their estimates and have even retracted them. In such a scenario, the whole exercise seems like shooting in the dark," says a former Indian revenue service officer. Agrees Jain: "I fundamentally have no issue with the Act. But the only area of importance will be implementation. Once the limited window is over, will the government be able to chase and catch the big fishes and garner the kind of tax revenue as they had promised?"

Multi-national and foreign companies are also wary of a new clause in the tax law, which says that if a company has a place of effective management (POEM) in India, at any time of a financial year, it would make it a tax resident and will be liable to relevant pay taxes here for the fiscal.

"It could effectively mean that if a foreign company holds a board meeting in India just once and takes some policy decisions, it would make the company a tax resident. We have made representations before the CBDT (Central Board of Direct Tax) and have pointed out that the word 'any time' should be replaced by 'during a year'. The chairman and other officials even admitted to the anomaly and promised to correct the law, but six months have passed since then and no clarification has come from the (tax) department yet," says Amit Maheshwari, Managing Partner, Ashok Maheshwary & Associates, a chartered accountancy firm.

The NDA government's decision to bring amendments in tax laws related to transfer pricing cases, but letting the court decide the fate of the ongoing cases, also came under criticism. "Such a stand was unfair. For the same issue one company is being exempted while others are fighting cases," says Ved Jain, Chairman, Direct Tax Committee, ASSOCHAM.

Says Kothari: "In fact, globally, transfer pricing is not a tax revenue-generation mechanism, it's a tax avoidance law. Only in India tax officers get revenue target on transfer pricing." Jain agrees and feels the government is being pennywise and pound foolish.

But then, what happens to the Centre's promise of a non-adversarial tax regime? Says Deepak Jain, Associate Vice President, Legal, Srei Infrastructure Finance: "The tax officers get revenue targets and targets for the number of tax demands. Their promotion depends on meeting these targets. In such a situation, how can you expect them to go soft?" The disconnect between the government's vision and actions of tax officers is consistent with the Centre's inconsistencies. ◆

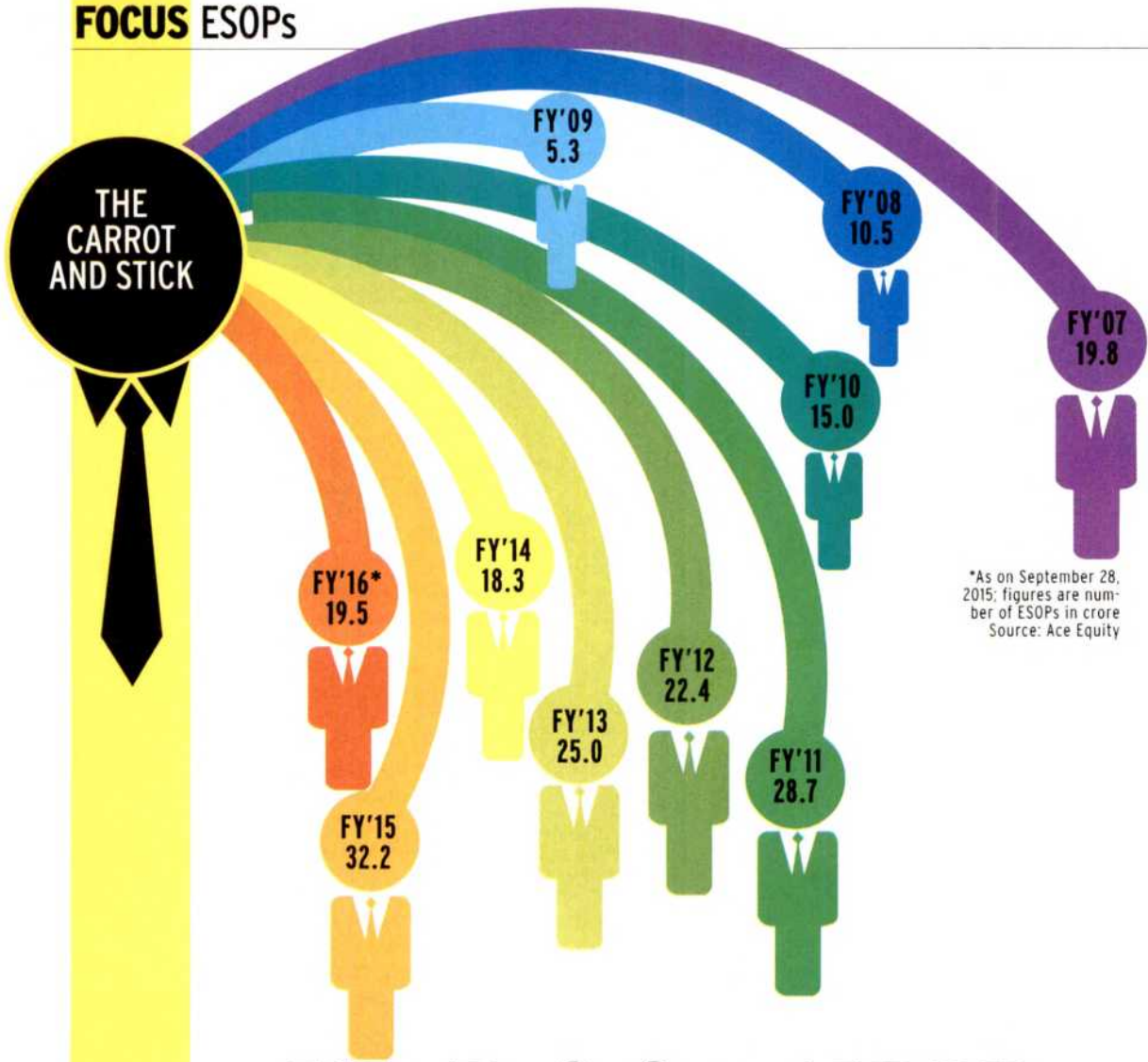
**HITS**

- Deferment of general anti-avoidance rule (GAAR)
- Not pursuing the Vodafone transfer pricing case in Supreme Court
- Allowing rollback facility under the advance pricing agreement

**MISSES**

- Sending wrong signal in the MAT issue on FPIs
- Coming out with a hurriedly drafted Black Money Act
- Introducing the concept of place of effective management, which is contentious
- Lacking conviction in dealing with ongoing tax litigations

@dipak_journo




# It's Raining ESOPs

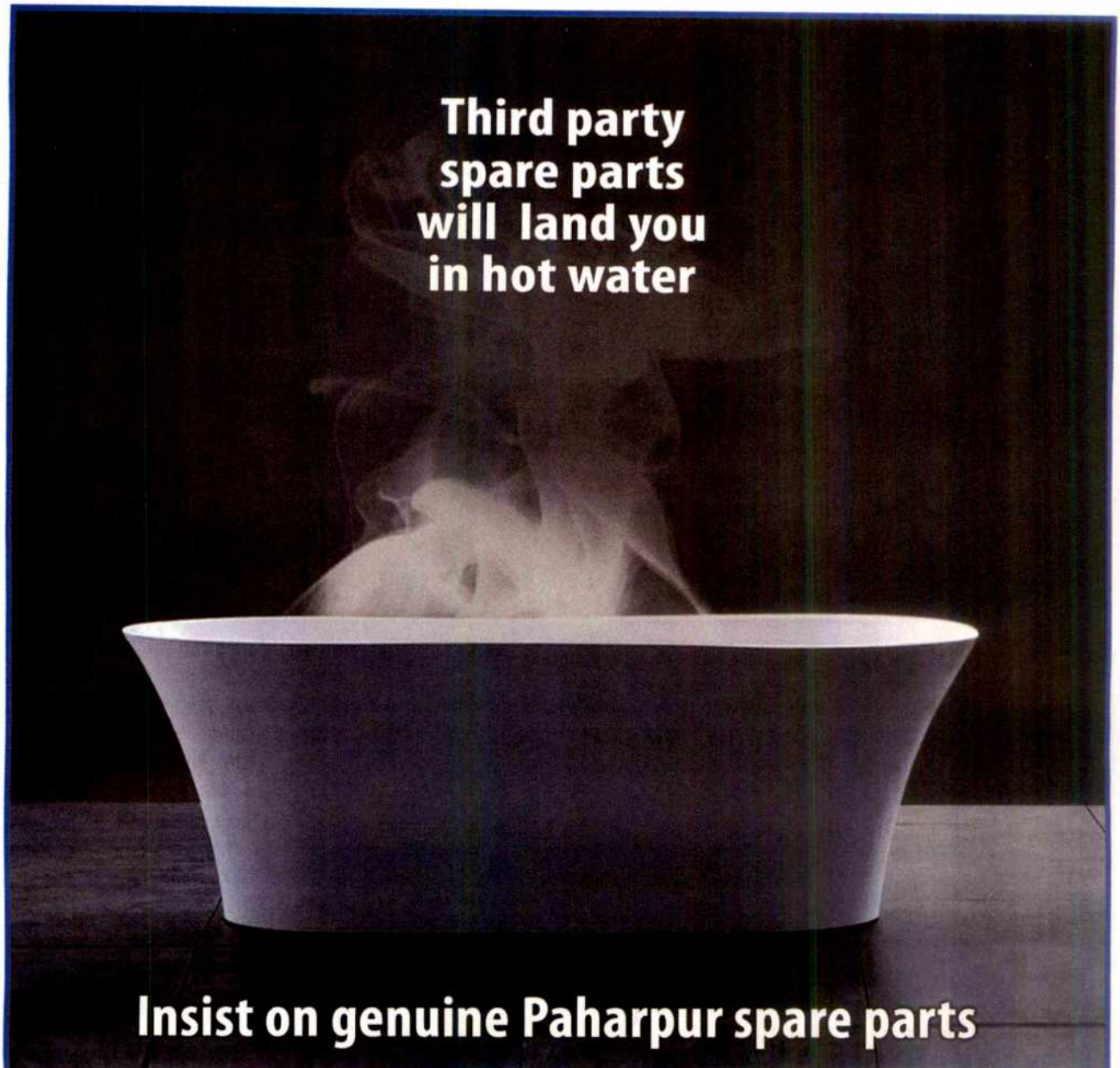
## Companies issue record number of stock options in 2014/15. Will this help them retain talent? By NITI KIRAN

**RISING MARKETS ARE USUALLY A SIGNAL THAT THE ECONOMY IS REVIVING, WHICH MEANS HIGHER ATTRITION LEVELS, MAKING ESOPs USEFUL**

Namita Arora (name changed), a manager with a leading private sector bank, sounds excited while confirming the news that she and her other seniors have been rewarded with employee stock options plans (ESOPs), worth around ₹11 lakh each.

She is not alone. India Inc is doling out ESOPs generously this year. Numbers from the ACE Equity database show that around 28 per cent of the BSE 500 companies issued ESOPs in 2014/15, up from 24 per cent in 2013/14 and 23 per cent in 2011/12. India Inc's increasing fascination for issuing stock options to reward employees is very much evident in ESOP volumes, too. In 2014/15, the number of such options totalled 32.2 crore, the highest since 2006/07.

Anandorup Ghose, partner, Aon Hewitt, attributes the recent spurt in ESOP issuances to rising stock markets. "Indian companies are becoming mature and adopting this vehicle. However, in the short term, rising markets are driving the trend," he says. Rising markets are usually a signal that the economy is reviving, which means higher attrition levels, making ESOPs useful. Sonu Iyer, Tax Partner & National Leader, Human Capital Services, EY India, says: "Existing companies are increasingly using ESOPs to motivate and retain top talent in a competitive market. The factors that make

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ESOPs popular are the freedom in designing them and their self-funding nature."

Stock markets were doing well in the first half of 2015, with the BSE Sensex touching 29,000 points in March and April. However, with foreign institutional investors pulling out over ₹20,000 crore since August, investors are getting jittery. Harshu Ghate, Co-founder and CEO, ESOP Direct, says: "ESOPs are a long-term instrument and short-term volatility should not have an impact on their attractiveness. In fact, now is the right time to grant ESOPs as employees will get them at lower prices."

With India moving to new accounting standards in a few months, Ghate foresees a trend of companies issuing ESOPs at face value to benefit from the accounting charge.

The software industry was the first in India to start giving ESOPs in a big way, but now even sectors such as manufacturing, finance and infrastructure are catching up. "All sectors, including the traditional ones such as manufacturing, infrastructure and real estate, find it difficult to attract and retain key managerial talent. Emergence of new sectors such as e-commerce, logistics, health care and education has added to this challenge," says Ghate. In fact, the government has also caught the ESOP bug. It is formulating an ESOP policy for the top management of public sector banks.

Now, a fundamentally important question – are companies using ESOPs as a broad-based instrument across all levels? Not really, says Ghose of Aon Hewitt. He says it was a trend in the 1990s but not now. In fact, there has been a reduction in the coverage. As per a survey by ESOP Direct in December 2014, CEO/CXO and other senior management level people are getting around 69 per cent of the options.

"Globally, while stock options/RSUs (restricted stock units) and SARs (stock appreciation rights) are issued at higher management levels, employees at large participate in stock purchase plans, which are not yet popular in India," says Ghate. In RSUs, the employee does not receive the shares immediately but according to a vesting plan. SARs resemble employee stock options in that the employee benefits from an increase in the company's stock price.

With influx of start-ups, are other companies revisiting their compensation policies? Not exactly, as there is no linear correlation between them. "It will be incorrect to generalise. Start-ups which are scaling up fast are influencing compensation structures in industries from where they are poaching talent. But all start-ups do not grow that fast and recruit laterally," says Ghate. "As far as ESOPs are concerned, it's a proven fact that ESOPs in companies that are unlisted and at the start-up stage give much more benefits (though risks are also higher) than ESOPs in steady and established companies."

But have the latest issuances been effective against poaching and brain drain? "It is too early to say that, as its impact will be visible over two-three years," says Ghose. Till now, plain vanilla ESOPs have more or less been the trend. "However, large conglomerates are now experimenting with different alternatives such as restricted and performance shares, which work on the same fundamentals but are structured differently," he says. ◆

@nitikiran

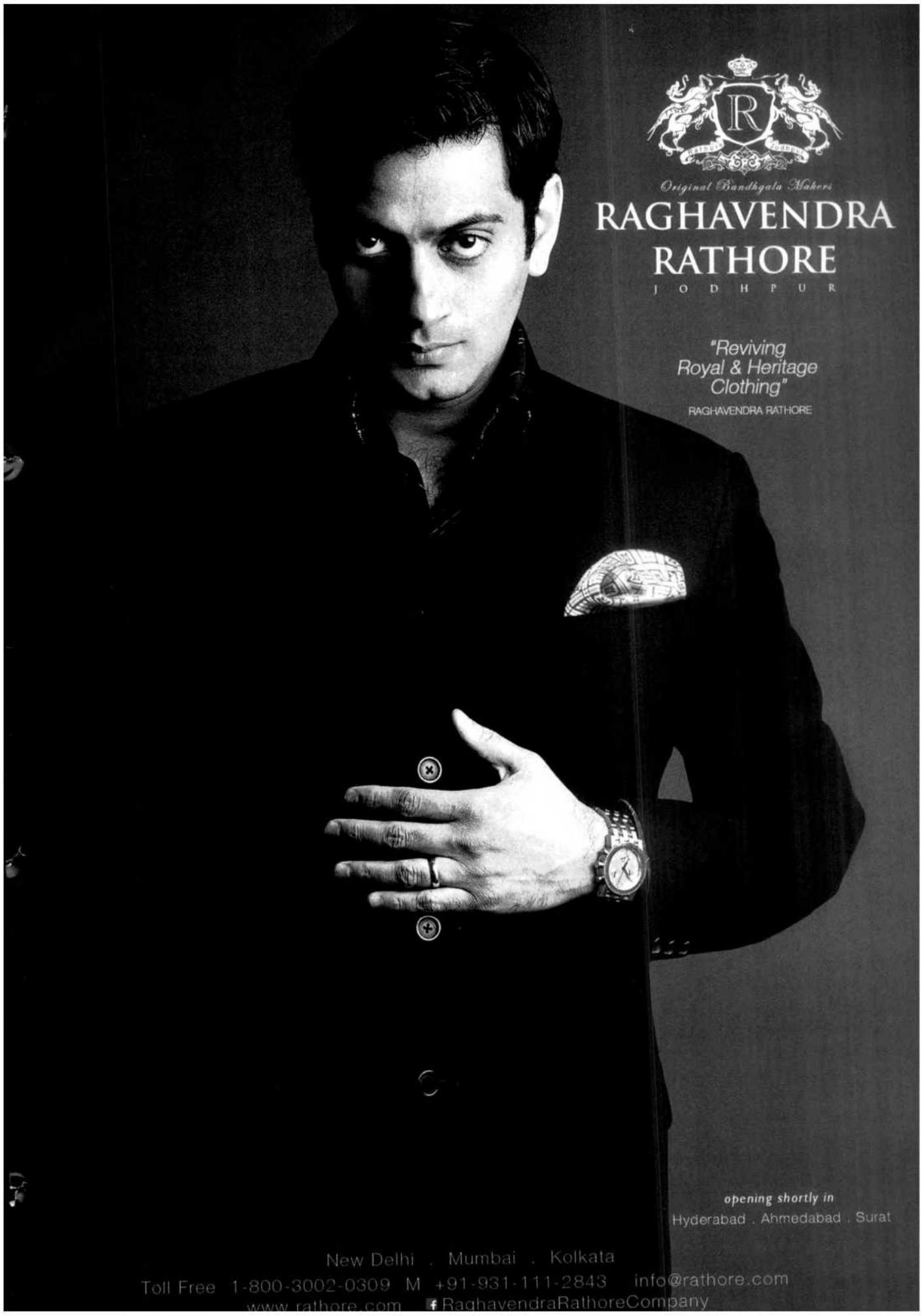
## MORE OPTIONS

Number of BSE 500 companies that have issued ESOPs to their employees

| Sectors | YTD* | FY15 | FY14 | FY13 | FY12 | FY11 | FY10 | FY09 | FY08 | FY07 |
|---|---|---|---|---|---|---|---|---|---|---|
| BFSI | 30 | 30 | 30 | 30 | 28 | 26 | 21 | 18 | 14 | 14 |
| IT&ITES | 19 | 19 | 17 | 17 | 19 | 20 | 19 | 19 | 19 | 19 |
| Construction & Real estate | 9 | 10 | 6 | 6 | 7 | 8 | 6 | 6 | 7 | 5 |
| Pharma | 11 | 11 | 10 | 11 | 9 | 11 | 9 | 8 | 9 | 13 |
| Entertainment | 4 | 7 | 5 | 4 | 6 | 4 | 4 | 2 | 2 | 3 |
| FMCG | 9 | 8 | 9 | 9 | 6 | 6 | 6 | 3 | 4 | 3 |
| Others | 45 | 53 | 45 | 39 | 42 | 50 | 47 | 23 | 27 | 20 |
| Total | 127 | 138 | 122 | 116 | 117 | 125 | 112 | 79 | 82 | 77 |

* As on September 28, 2015; Source: Ace Equity

**CEO/CXO AND OTHER SENIOR MANAGEMENT LEVEL PEOPLE ARE GETTING AROUND 69 PER CENT OF THE OPTIONS**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# The Wrong Note

## The Phase III FM auction may severely dent the profitability of several radio companies. By AJITA SHASHIDHAR

The first part of the recently concluded Phase III FM Radio auctions has seen the costliest bids in the history of the FM industry. Close to ₹522 crore was bid for stations in the metro cities alone. HT Media (Fever FM) invested ₹169 crore for the Delhi frequency (almost 30 per cent higher than the original reserve price), while it spent ₹122 crore for the Mumbai frequency. Similarly, ENIL (Radio Mirchi) bought the Bangalore frequency for ₹109 crore, by paying significantly higher than the reserve price.

**Tough times:** A radio jockey in action

This surely confirms that the most traditional media platform, radio, still commands huge investor interest. The analyst community expects the radio industry to grow upwards of 15 per cent year-on-year. Once the second part of the Phase III auctions happen (which will cover many of the smaller cities), the projection is that radio would account for 10 per cent of the ₹1.02 lakh crore ad revenue of the Indian media and entertainment industry, from the existing 4 to 5 per cent.

However, the pain point for all the radio companies is not so much the exorbitant bid prices, but the impact on the profitability of the radio industry at large. "A profitable industry will be rendered loss making," remarks Prashant Panday, CEO, ENIL as he explains the economics of the radio business.

In Phase III, the annual licence fee for the radio broadcasters would be 2.5 per cent of the highest bid received in each city. So, in Delhi, the fee for each broadcaster will be ₹4.22 crore per annum – an exponential jump from what they paying earlier (4 per cent of revenue). "This is unfair, especially when no other media owner is paying a licence fee to the government. The auctions are designed to benefit only the government," says Apurva Purohit, CEO, Radio City.

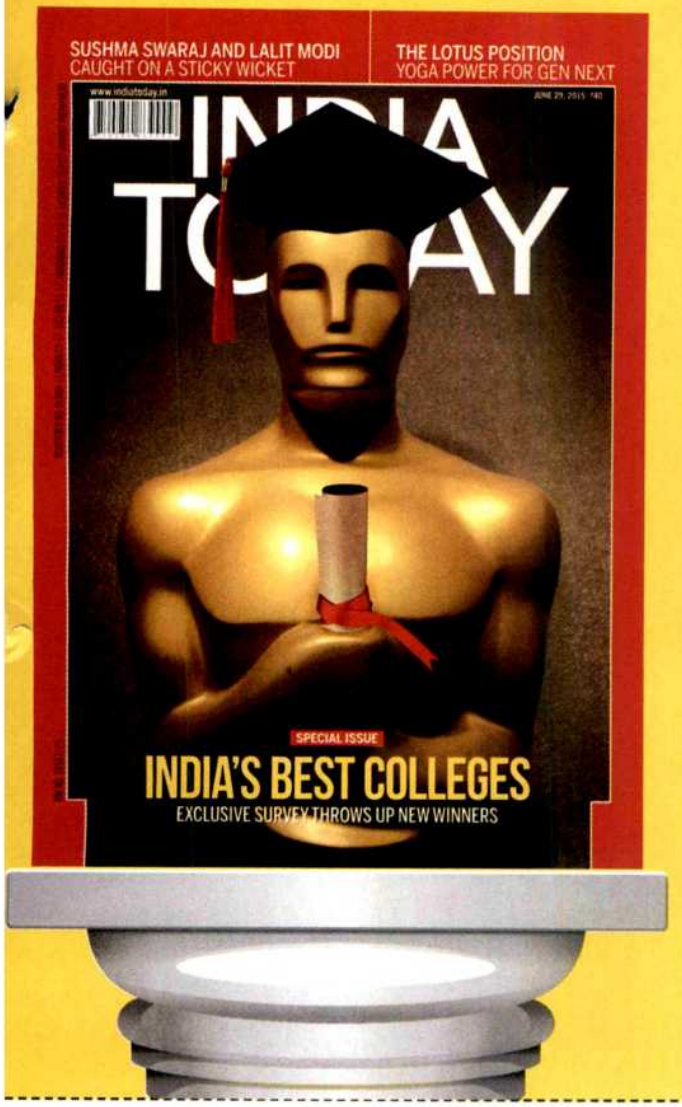
The radio broadcasters also have to pay a one-time migration fee for a period of 15 years. In cities with no bids, renewal premiums were higher. For instance, for Coimbatore, which received no bids, the renewal price was ₹16.9 crore. In contrast, it was ₹13.1 crore in Indore, a city which saw healthy bidding. "A broadcaster who reported about ₹20 crore in EBITDA last year will see almost half get eroded because of the change in the fee structure," says Panday.

While it may not be as challenging for the larger radio companies which have a pan-India presence and have the might of a large network to make their ends meet, life isn't going to be easy for the smaller one to two radio station companies. "It is going to be difficult for these companies to be profitable in the near future," agrees Tarun Katial, CEO of Reliance Broadcast, which owns the largest radio network in the country, Big FM.

So, is consolidation on the cards? It seems inevitable. ◆

**RADIO STILL COMMANDS HUGE INVESTOR INTEREST. ANALYSTS EXPECT THE RADIO INDUSTRY TO GROW BY OVER 15 PER CENT ANNUALLY**

*@AjitaShashidhar*

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AJAY THAKURI

# Race to the Top

## The Centre's business friendliness rankings are nudging states to carry out significant reforms. By JOE C. MATHEW

**ON AVERAGE, ONLY 32 PER CENT OF THE PROPOSED REFORMS HAVE BEEN IMPLEMENTED, SAYS THE REPORT**

Debi Prasad Mishra, Odisha's industries minister, knew he had a task at hand when the central government decided to rank states for business and investment friendliness in December 2014. The state government was in the midst of preparing an industrial policy and Mishra wanted to see Odisha among the top states in ease of doing business.

The contribution of manufacturing to the gross state domestic product (GSDP), at 33 per cent, was above the national average (16 per cent). But the ground reality was different. The state's attractiveness is its mineral wealth, and once quarrying, mining and related construction activities were taken out, the figure was 9 per cent. Mishra wanted to correct this and use the ranking exercise to carry out improvements.

"The Centre came out with a 98-point action plan and we decided to improve on each and every aspect," says Sanjiv Chopra, Industries Secretary, Odisha.

"We could succeed in some areas and not in others because it required a major overhaul of regulations," Chopra adds, though the improvements made – like single tax ID for filing all state taxes online – were good enough for the state to bag the seventh rank.

The Assessment of State Implementation

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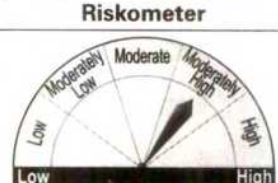
| • Long term wealth creation solution<br>• A focused large cap equity fund that aims for growth by investing in companies in the large cap category. |  <br>Investors understand that their principal will be at moderately high risk |
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of Business Reforms report, released in September, was prepared by the World Bank, the commerce ministry, CII, Ficci and KPMG.

This is not to say that the ranking reflects the actual investment potential of states. Tamil Nadu, ranked 12th, claimed to have received commitment for investments worth over ₹1,00,000 crore during its just-concluded global investment summit. The ranking is more to be seen as "a scorecard to take stock of what reforms have happened and to identify the way forward for states", Onno Ruhl, Country Director, World Bank, says in introductory remarks to the report. "The report highlights innovations and achievements so that states can identify counterparts which have carried out reforms and can reach out to them and learn from them," he says.

Several states ruled by the Bharatiya Janata Party (BJP) or its friendly parties are among the top five, a reason why the Congress-led Karnataka government is not happy with the ranking (Karnataka is ninth, though the state government said its attractiveness as an investment destination is much higher). Gujarat topped the list, Andhra Pradesh came second, while Jharkhand, Chhattisgarh and Madhya Pradesh stood third, fourth and fifth, respectively. The BJP-ruled Goa, however, stood 19th.

The report explains the objective manner in which the exercise was carried out. "The data was collected through a structured questionnaire completed by each state and union territory. The responses were validated through a series of in-depth workshops with state government representatives and collection of supporting evidence on each parameter. Following this, the data was evaluated in detail jointly to ensure that the same yardsticks were applied to all states," says the report.

Gujarat, for instance, became the top state because of its system that helps investors find suitable locations for their industries. "It provides GIS-enabled maps of land parcels (earmarked for industrial use) available in the state. Additionally, the system enables speedy clearances," says the report. Many states have embarked on ambitious reforms or expanded their efforts since the announcement of the 98-point action plan. Various process streamlining and technology interventions have been undertaken in areas of commercial taxes (time-bound VAT/CST registration, online payments, etc), labour (self-certification for integrated returns and inspections, online labour management systems) and environment (exemption of a number of green industries from approvals/consents), the report says.

Terming the current ranking as a step in the right direction, the report says a multitude of reforms need to be implemented. "On an average, only 32 per cent of the proposed reforms have been implemented across the country. The implementation of reforms related to inspection and enforcement of contracts is less than 20 per cent," it says.

India ranks 142 among 189 nations in the World Bank's Ease of Doing Business rankings. Hence, it needs reforms, led by governments at both central and state levels. The state-wise ranking, seen from this angle, is certainly a laudable effort. ◆

*@joecmathew*

## THE WINNERS

**The top ranked states and their scores (in%)**

| | | |
|---|---|---|
| 1. | Gujarat | 71.14 |
| 2. | Andhra Pradesh | 70.12 |
| 3. | Jharkhand | 63.09 |
| 4. | Chhattisgarh | 62.45 |
| 5. | Madhya Pradesh | 62.00 |
| 6. | Rajasthan | 61.04 |
| 7. | Odisha | 52.12 |
| 8. | Maharashtra | 49.43 |
| 9. | Karnataka | 48.50 |
| 10. | Uttar Pradesh | 47.37 |
| 11. | West Bengal | 46.90 |
| 12. | Tamil nadu | 44.58 |
| 13. | Telangana | 42.45 |
| 14. | Haryana | 40.66 |
| 15. | Delhi | 37.35 |
| 16. | Punjab | 36.73 |
| 17. | Himachal Pradesh | 23.95 |
| 18. | Kerala | 22.87 |
| 19. | Goa | 21.74 |
| 20. | Puducherry | 17.72 |

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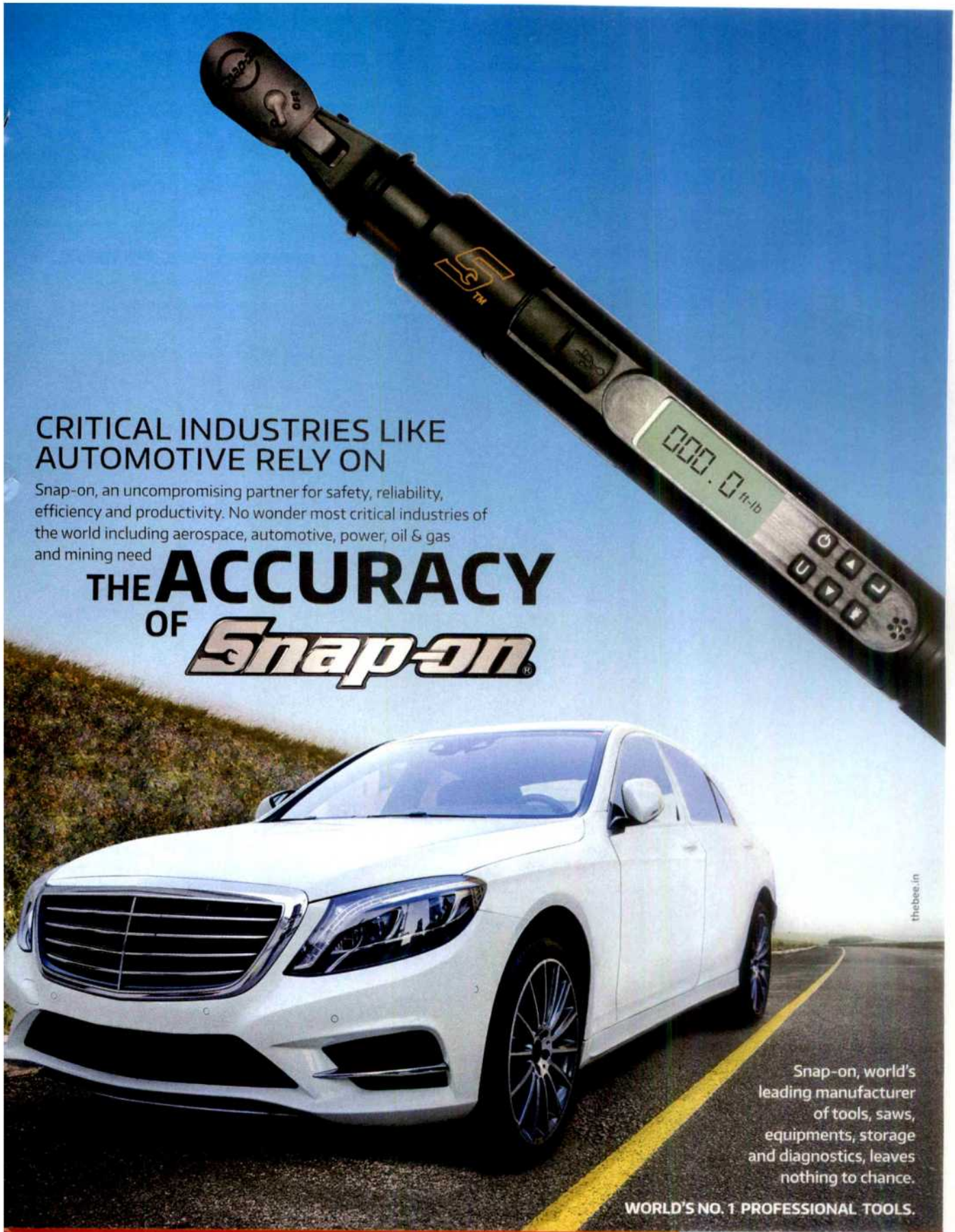


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# Merger Challenge

## As the regulation of the commodity market shifts to Sebi, Chairman U.K. Sinha has a tough job. By MAHESH NAYAK

Commodity market regulator Forward Markets Commission (FMC) was merged with the Securities and Exchange Board of India (Sebi) on September 28, 2015. The move was directed towards infusing confidence in the commodity market, which had collapsed after the ₹5,600- crore National Spot Exchange (NSEL) scam broke out in 2013.

U.K. Sinha, Chairman, Sebi

This is good news for commodity investors. Sebi has the resources to bring in people and develop the required infrastructure to improve the functioning of the commodity market and work on its expansion. However, it would not be an easy task for Sebi to give equal attention to both securities and commodities as the market operations differ in many ways.

The biggest challenge for Sebi Chairman U.K. Sinha is to arrive at a fair price in the absence of a spot market. The price polling mechanism from different *mandis* and the Agricultural Produce Marketing Committee (APMC) will pose a huge challenge for the regulator. Says Girish Dev, CEO and MD, Geofin Comtrade: "Sebi will need to evolve a transparent and robust mechanism to address the price polling issue because neither the commodity spot markets are operating in a pan-India electronic format, nor is the spot exchange under the purview of Sebi." Further, warehouses, which are also an integral part of commodity trading, are regulated by Warehousing Development and Regulatory Authority (WDRA), and Sebi will not have a say in their functioning.

Unlike the securities market, which is cash-settled, 5-10 per cent of the value in the commodity exchange is delivery-based transactions, that is, goods have to be delivered physically to buyers. "Unless we see convergence between WDRA and Sebi it will yield no results, as quality and safe-keeping of commodities will always remain a concern. The lacuna and short comings in the warehousing was clearly out in the open during the NSEL fiasco. If Sebi wants transparency, it will have to govern the exchange deliverable commodities under WDRA," adds Dev. Going ahead, it must also engage with regulators such as Food Safety and Standards Authority of India (FSSAI), to incorporate realistic quality parameters for exchange-deliverable agri commodities.

"This merger would lead to a fall in the number of brokers at the commodity exchanges, as Sebi may not allow them to do business other than broking, which is in line with the rules followed by brokers in the securities market. This would adversely impact the commodity broking community and may also have a consequential impact on the growth of the commodity market," says Khushroo Panthaky, Partner, Walker Chandiok & Co LLP, an audit firm. He feels manpower and financial resources would be another challenge for Sebi. "Alignment of the regulations across stock exchanges and commodity exchanges and markets would also be a challenge as commodity exchanges would consolidate and would be required to function on the same platform as stock exchanges," says Panthaky. Over the next three years, commodity exchanges would be required to enhance their net-worth to a minimum of ₹100 crore and increase the net-worth of its clearing houses to ₹300 crore.

"With Sebi taking over, we feel confident," says Dev, adding that the move has generated hopes of a revival and, going ahead, it will attract more participants into the markets. ◆

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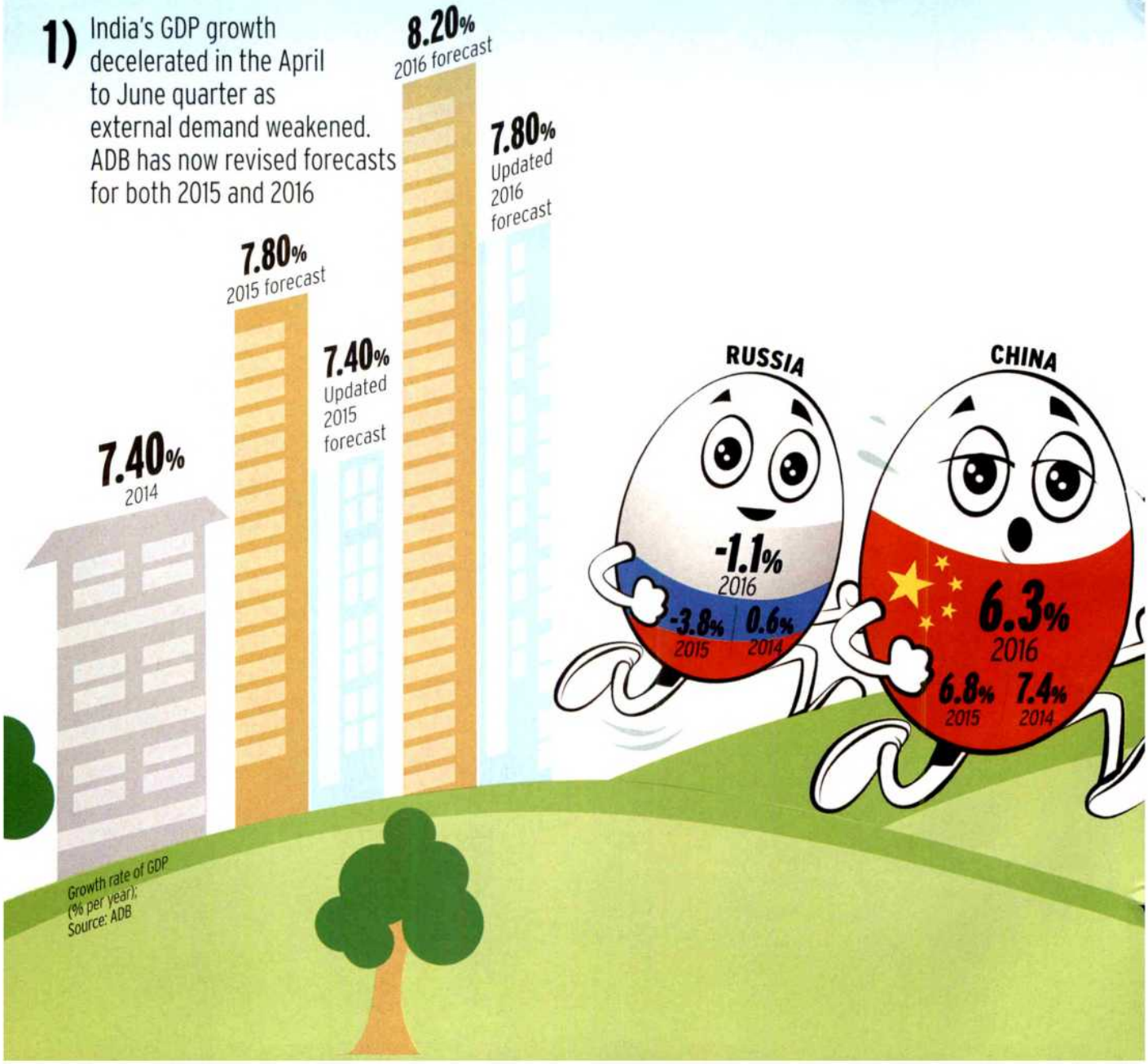
# AHEAD OF THE PACK

Most of the global brokerages and rating agencies have snipped India's gross domestic product (GDP) forecast for 2015 because of weak monsoons and structural bottlenecks. The latest to join the bandwagon is the Asian Development Bank (ADB). But India's macro story still seems much stronger than other emerging nations

Graphic by: **Anand Sinha** Research by: **Niti Kiran**

**1)** India's GDP growth decelerated in the April to June quarter as external demand weakened. ADB has now revised forecasts for both 2015 and 2016

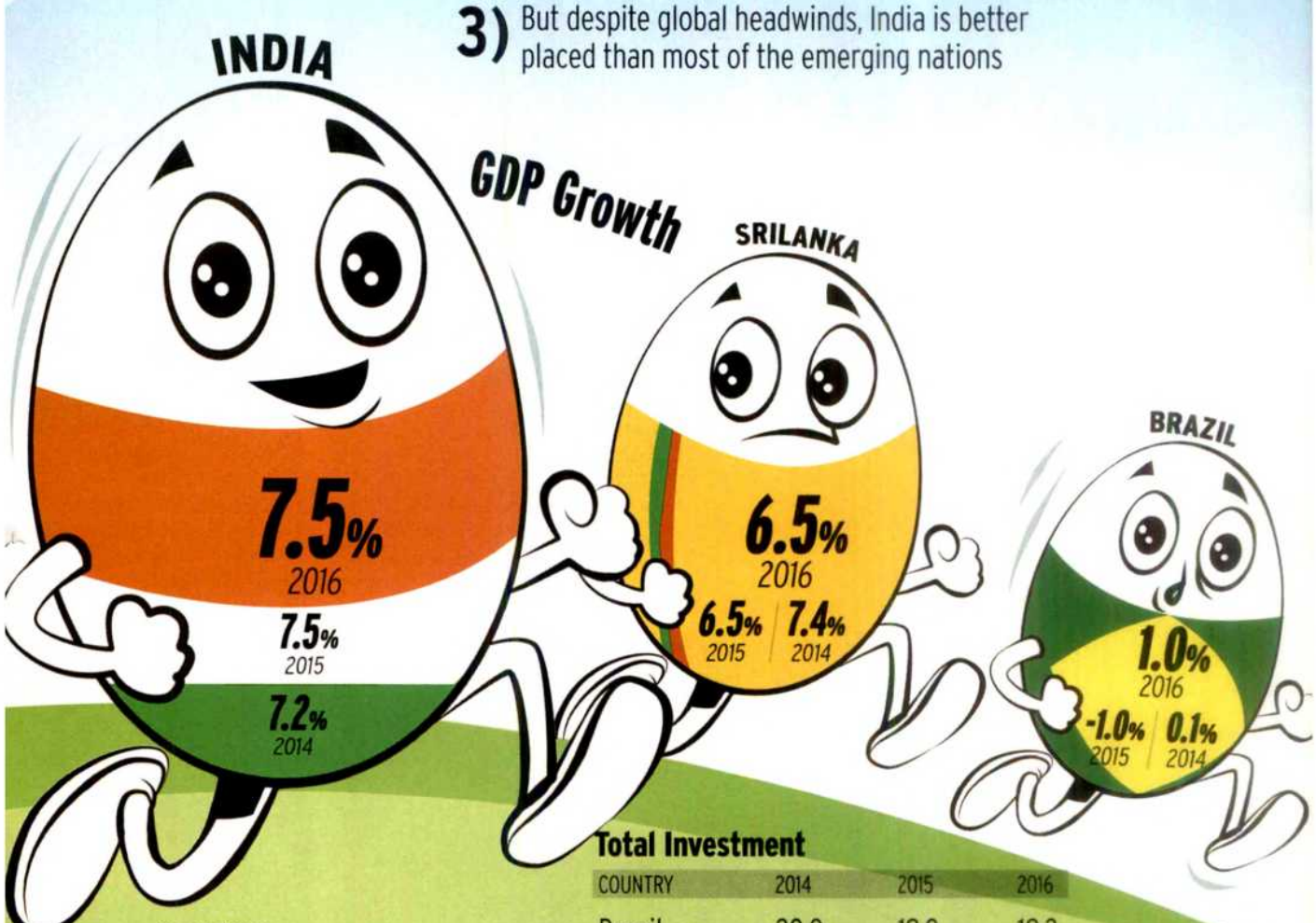


## 2) The International Monetary Fund estimates that global growth is likely to remain flat in 2015 as developing economies, including India, lose momentum

| | | | PROJECTIONS | |
|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 |
| World Output | 3.4 | 3.4 | 3.3 | 3.8 |
| Advanced Economies | 1.4 | 1.8 | 2.1 | 2.4 |
| United States | 2.2 | 2.4 | 2.5 | 3 |
| Japan | 1.6 | -0.1 | 0.8 | 1.2 |
| Emerging Market and Developing Economies | 5 | 4.6 | 4.2 | 4.7 |
| India | 6.9 | 7.3 | 7.5 | 7.5 |

(Per cent change); Source: IMF

## 3) But despite global headwinds, India is better placed than most of the emerging nations




Per cent change; 2015 & 2016 figures are estimates

Source:IMF

### Total Investment

| COUNTRY | 2014 | 2015 | 2016 |
|---|---|---|---|
| Brazil | 20.0 | 19.0 | 19.2 |
| China | 46.9 | 45.4 | 44.7 |
| India | 31.5 | 32.1 | 32.5 |
| Russia | 19.9 | 17.6 | 18.0 |
| Sri Lanka | 27.6 | 27.9 | 28.2 |

Per cent of GDP; 2015 & 2016 figures are estimates

Source:IMF

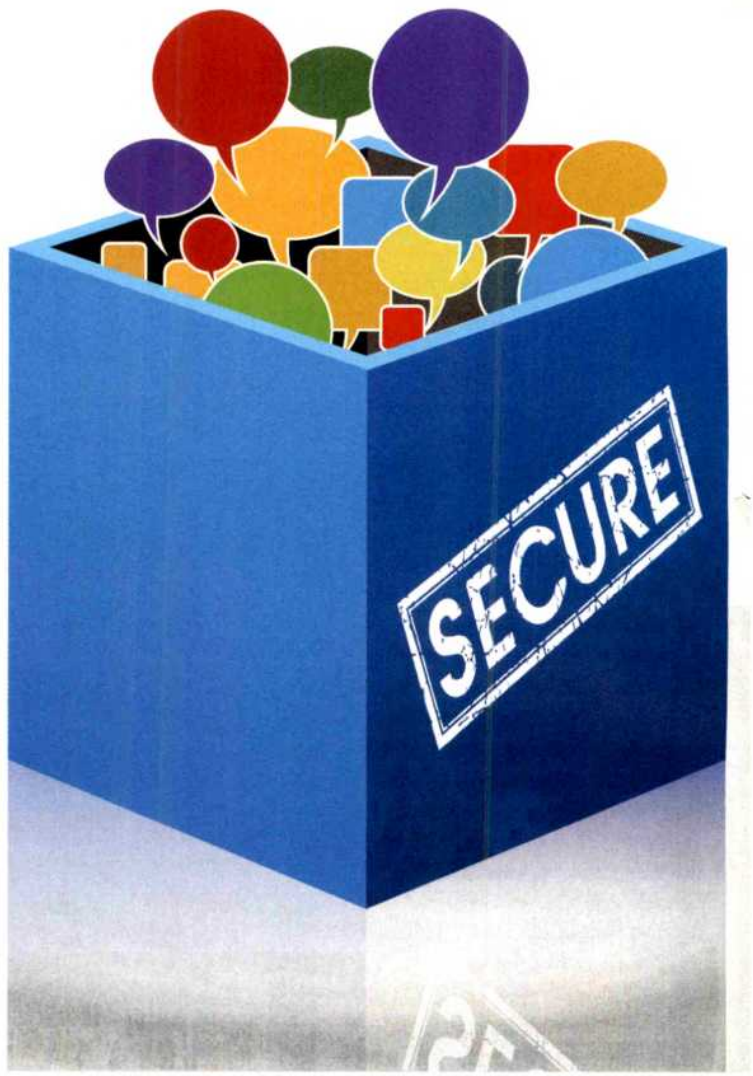
WHAT'S TRENDING

# Encrypted Fortresses

As the spotlight in India turns on encryption, we take a look at the growing trend of encrypted social media across the world.

By **CHITRA NARAYANAN**

Now that the hullabaloo over handing encryption codes to the government has died down, it's time to look at the encrypted social media landscape. Data is gold for digital thieves and hackers. Which is why all information, be it sensitive messages or inane chatter on social media, is encrypted – with the code usually in the hands of the service providers. The Indian government in its draft encryption policy wanted the service providers to hand over this code, which led to a great furore.




RAJ VERMA

SOCIAL TOON

Imagine if the code fell into the hands of hackers.

It was a rather ironic move from the government considering that globally there is a move towards greater and greater encryption and privacy protection. Earlier this year, for instance, saw the launch of *Minds.com*, a heavily encrypted social network set up with support from Anonymous, a group of hacktivists. *Minds* works exactly like any other social network except that advertisers and government cannot access this as it offers end to end encrypted private messaging and greater privacy.

In the past, there have been attempts like Syme, a social media network that came up when Edward Snowden leaked documents to show the kind of spying done by the US government and how unsafe Facebook and Twitter were. The danger of posting anything on Facebook is that anybody can copy and paste the content to share over other platforms. What Syme offered was encrypted content which would be protected if someone tried lifting it off across the internet: basically intercepted content could not be accessed or read. Syme has been inactive for a while now, but a number of encrypted apps have come up to protect your Facebook and other chats.

For instance, Facebook users can use Cryptocat to have encrypted conversations with other Facebook + cryptocat users. Then there is Wickr, an app that offers features like auto destruct which allows users to time deletions of messages. Indeed, leaky chat apps like Facebook and Whatsapp have fuelled a host of new messaging apps that come with very high security settings. Take Telegram, built by Paul Duorv, founder of Russia's largest social network VKontakte, which is so heavily encrypted that it promises it can withstand infiltration by Russian security agencies. It has secret chat features wherein only the sender and receiver can read messages with not even Telegram staff able to intercept it.

Such has been the clamour for security and privacy that a body called Electronic Frontier Foundation rates apps across seven criteria to see which apps keep your messages absolutely safe from prying eyes. Telegram and Text Sure shine in EFF's scrorecard while Facebook, Viber and Whatsapp are shown as fairly easy to crack. EFF says it has published the scorecard to spur innovation around stronger security practices. But if governments demand encryption codes, then the whole security issue will collapse like a house of cards. ◆

AJAY THAKURI

LISTENING POST

## No more following

At a time when every platform is adding on a social feature or two, photo sharing app Storehouse is running the other direction. It has dropped its newsfeed and no more follows, likes or timelines will be seen on this app. "People are craving authenticity and real connections more so now than ever before," Mark Kawano, CEO of Storehouse said in a statement. It will henceforth focus on story creation through a new feature called Spaces. Now, a user can share features with a group of friends privately only through a link. Will the 1 million users of the app like this 'antisocial' twist?

## Nescafe Tumbls!

In a bold gamble, food giant Nestle has decided to convert its Nescafe.com website into Tumblr blogs. All content on Nescafe's websites will move to the Tumblr platform. The rationale behind the move is to build stronger relationships with younger consumers. In a statement, Nescafé's marketing chief Michael Chrisment said that "the dotcom is reflection of us talking to people; this approach is dead. It should be much more inclusive and allow conversations." The company hopes that by moving to a social forum, the brand's fans will be involved in content creation, and get casual endorsements from real users. Let's see if this works.

# "India has a lot to offer both in innovation and operation"

*If Mylan CEO* **HEATHER BRESCH** *manages to complete the $27.1 billion hostile takeover of Ireland-based rival Perrigo, it would perhaps be her most valued acquisition and help her position the $7.72 billion generic and specialty pharmaceuticals company as one of the top three global generic pharma players. But then, successfully thwarting a similar attempt by another rival, Teva Pharmaceuticals, to acquire Mylan for $40 billion barely two months ago on July 23, was no mean deed either. In fact, the 46-year-old has been making history ever since she joined Mylan as a clerk in 1992, steadily rising up the ranks to serve as the company's chief operating officer, chief integration officer and president, before taking over as the first ever woman chief executive of a global pharma major. 'Bresching with history' could well be the pharma sector's catch phrase as long as she continues to conquer new frontiers by acquiring and successfully merging entities into Mylan. Bresch's love story with India started in 2007, when she was instrumental in buying out Hyderabad-based Matrix Laboratories for $736 million. Since then, Mylan has invested $3 billion on acquisitions in India and regards the country not just as a global sourcing hub, but also as a market. In fact, more than half its global employees and 14 of its total 38 plants approved by the US Food and Drug Administration (FDA) are in India. On the sidelines of Business Today's 'Most Powerful Women in Indian Business' awards, where Bresch was the chief guest, BT's* ***P.B. Jayakumar*** *caught up with her to understand how the generic pharma sector is consolidating globally and Mylan's role in leading the transition from the front. Excerpts:*

***Are you confident of gaining control of Perrigo?***

Perrigo is an Ireland-based company. And, the takeover rules in Ireland stipulate that if you get 50.1 per cent at the tender offer of shares, you get to control the board. The tender offer is open for 60 days and if we get to 50.1 per cent, as per the Irish takeover rules, then there will be another 14 days of mandatory offer to tender the shares of other willing shareholders. Then there is another 60 days of second tender offer, which will be at Mylan's discretion. We have received 66 per cent of our shareholder vote for the acquisition. We have strong support of our shareholders and there are many common shareholders (overlap) in Mylan and Perrigo. Though the market is volatile, we are confident of getting over 50.1 per cent. And, we think we have the ability to run the company, though there will be some administrative burden.

PHOTOGRAPHS BY RACHIT GOSWAMI

***Perrigo is more of an over-the-counter company and Mylan is a generic prescriptions company. Both operate mainly in the US market and there are going to be some business overlaps. What are your synergistic benefits from this deal?***

We are limited on how much we can reveal on the benefits. We have said we expect $800 million of operational synergies to get by year four. As per the Irish takeover rules, you have to audit synergy benefits and, in our case, PwC did an audit. Revenue synergies are not in our control, so we cannot report on that. Between us, there are opportunities to get vertically integrated, and outsource and rationalise some of the manufacturing. This is a complementary transaction, not just a synergy play. Stocks were up when we announced our plan and analysts were favourable on this transaction.

***The way the valuations of generic pharma companies are going up, how much of these acquisitions are rooted to reality?***

Consolidation is happening across the pharmaceutical industry. More the industry globalises, more consolidation will be necessary to have the size and scale to compete as the lines continue to get blurred between specialty and generic pharma companies. For us, 85 per cent of the business is from global generics sales. We believe Mylan has continued to differentiate itself and we have done acquisitions to build upon our core foundations and competencies.

Eight years ago we acquired Matrix. It allowed us to vertically integrate. It was then the largest pharmaceutical acquisition in India. Immediately after, we bought Merck KgaA's generic assets to expand our commercial footprint.

It (the company) was two-and-a-half times our size. It was seen as a very unorthodox and unconventional acquisition at that point in time. Between Merck and Matrix, we were able to build operational excellence, create a global supply chain and infrastructure. Then we bought Abbott's speciality generics and injectible business of Agila Specialties. We continued to look at having critical mass, whether it be around dosage forms, or therapeutic areas. And, we continue to look at creating critical mass, build and grow. For us, it is just not synergy play, cutting costs or build a financial bridge. We have been growing at over 27 per cent in the past few years and have delivered tremendous returns to our shareholders.

More the industry globalises, more consolidation will be necessary to have the size and scale to compete

It need not always be people versus profits. You can take care of the people. They are the best assets. And, a well run company delivers great returns to the shareholders. We have been able to show that and we continue to do that. Our HIV franchise serves 50 per cent of the developing market. The acquisition of Famycare will give us critical mass to women's healthcare and Abbott's specialty generic acquisition has provided great commercial infrastructure. Perrigo will be the right step to diversify and change the paradigm of getting business done. This industry continues to consolidate and we want to continue to be a consolidator. For some reasons, if we do not get Perrigo, we are not going to sit still as there are plenty of assets available out there. Our core philosophy has been to provide quality affordable medicines to seven billion people and, today, we have taken the same concept forward and just expanded on it globally.

***After this hyper consolidation, how many companies will actually survive? Three? Four? And, how will the global markets carve out?***

Today there are three – Teva is buying Actavis (generic arm of Allergan), Novartis's Sandoz and Mylan. I don't believe three will go down to two, because FTC and other regulatory bodies around the world oversee competition. But, after the top three, there is a big gap. There will be more consolidation with these smaller players. The smaller will continue to create critical mass, but the top three will differentiate themselves. Our focus and commitment is to the generic space, in breaking barriers and moving from the US to Europe and to emerging markets including India and Brazil. That is how the healthcare market will develop.

***How do you see the future of the innovator companies in the long run vis-a-vis the generics firms? Their pipelines are diminishing and blockbuster drugs are not really coming through.***

We can say there is definitely a balance between innovation and competition. Both have a very vibrant marketplace. The Hatch Waxman Act (rules for generic drug sales in the US) over the years has helped to maintain that balance and, at times, when there were imbalances, we continued the fight to maintain that balance. Still there is a threat considering some of the trade agreements that are being negotiated and IPR (intellectual property rights) forum partnerships being discussed. That was our concern and we were vocal because if Teva was able to acquire Mylan, the whole dynamics would have changed. You are fighting on the generic side for that balance and if you are not there, that balance will change. It can lead to a situation of monopolies and block access to drugs in many emerging markets. Looking at the pipeline front, there are still lots of opportunities. Look at the top three, each has about 12 per cent market share. Still there are many therapeutic categories, dosage forms and geographic expansion, and lots of globalisation opportunities available. It is very difficult to survive solely on a domestic market to grow and compete in this industry today.

***If you look at the acquisitions, bulk of them are either cash or equity swap or both. Your acquisitions are more cash than equity. Is there a trend emerging of more cash than equity in such transactions?***

It depends on what drives you to the acquisition. If it is a financial acquisition – there are companies that follow that model – it will deliver you growth and accretion. If that is not working, you need to acquire something else to maintain that growth. If the acquisition is solely for a financial target, then it tends to be more of cash to make it more accretable for favourable tax rates or capital structure. As far as Mylan is concerned, our objective is to continue our growth which limits our debt capacity and

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***How do you set your debt limit?***

There is not a black and white line: 4:1 is where you can afford to go, if over 18 months you are able to get your cash flows back. That is a pretty good thumb rule over a period of 18 months.

***In terms of management integration, which was the smoothest acquisition and which was the worst for Mylan?***

We have experienced both. It is not about buying a company, it is about the people and the culture, and how companies truly integrate. There are many companies out there doing acquisition after acquisition and not really integrating the assets. They allow these assets to operate on a standalone basis and try to get synergies. Since the Matrix acquisition, we did not try to run India from the US. Many global executives are now operating out of India. Its culture and chemistry was a natural fit and that made the operations and integration truly seamless. People like (Nimmagadda) Prasad (Matrix's promoter) and us like each other and it was natural. It was team work. Rajiv Mallick, President of Mylan and the then CEO of Matrix, and I as the chief integration officer, told him that we can be 9,000 miles apart, still be next to each other. The distance was never an issue or factor and obviously that is why we had such tremendous success and continue to build upon that here.

In that sense, the Merck generics business acquisition was very challenging. Then we were a domestic company in the US and had just made an acquisition in India. Merck was a global company based in Europe and we were pulling away the generics business from the parent company. Then we lacked a global infrastructure and we were taking over a commercial global infrastructure. It was challenging due to our lack of infrastructure at that time. It required global processes, governance and global infrastructure to absorb the Merck acquisition. We did that. And, since then, everything was done more easily and we could get the best out of these assets. It is not that one-plus-one equals two, but (integrating) three or four. Acquisition should not be done for becoming bigger, but to become better.

"Selling one product in the US and a sub standard product in another part of the world will not help anybody"

***How are the integrations of Agila Specialties and Famycare progressing?***

We believe Agila was a great asset to acquire. They had some of the newest facilities. In the injectable space, not many assets are available for sale globally. Having said that, we were aware that there were some inherent issues and was confident to fix them. The way we are progressing on remediation, and the discussions we have had with the FDA, we are soon going to get the standards required by the FDA. Agila is going to be the basis of providing significant volume of the injectable business for us around the globe. It is not integration and it is already a part of Mylan. As far as Famycare goes, we had a relationship with them for over seven years (as a supplier) and they are part of our team. Once we close the acquisition, there is big opportunity to tap the great work they are doing in the emerging markets. We will also get it to the markets where it does not have an infrastructure.

***In one of the recent interviews you had said that Indian family run businesses are run differently from how Mylan is run. What was it about?***

I am glad to clarify on this. I was quoted out of context in that interview. No one loves this country better than I do and nobody has better respect for the workers here. What I said was India has become the 'pharmacy of the world' and what

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we did pioneer was to advocate for quality standards across the globe.

If you want to do business in the US, the yardstick for manufacturing is high, considering the size and attractiveness of the US market. The idea of selling one set of product in the US and selling a sub standard product in another part of the world is not going to help anybody. India is the pharmacy to the world and the huge volume of products coming out of India is actually good. You have higher volumes and capacity and, therefore, India is going to attract global attention.

***How do you plan to use the domestic market opportunities in India?***

Our share in the Indian market is very small. But we don't want to rush. We wanted to study and understand the evolving Indian market. So, we entered it by winning some tenders for HIV medicines and we launched an oncology product. We are building here brick-by-brick to get the right foundation. That is why we are looking at investment opportunities. We want to figure out the right product or way for the right entry. Our global mission is to make Mylan a household name, whether in India, the US or Europe.

> "In India, we are building brick-by-brick to get the right foundation... to figure out the right product or the way for the right entry"

***You made three major acquisitions in India in the past decade and have made lots of investments in the country, especially in R&D in Bangalore. How much have you invested in India?***

We have invested hundreds of millions of dollars in India between R&D and building our capacities; whether buying them or building greenfields. Apart from capital investments, we have invested in people. Matrix was a 3,500-people unit and, now, we are over 10,000, excluding Agila and Famycare. We had three-fold growth in our R&D, facilities, APIs and it is serving as the hub from an operational perspective. We are not going to stop there. We believe this country has a lot to offer both in innovation and operation.

***What's the production advantage from India?***

Obviously its low cost. We have facilities across the globe with all kinds of cost infrastructure, from the US to Asia and Japan. We need to act really smart to get the economies of scale.

***Many pharma companies are moving headquarters to countries like Ireland. Is the tax structure an issue in the US?***

I think the US tax code needs to be totally reformed. Quite honestly, we were the last in our industry to invert. I was at the Capitol Hill several years ago telling them (law makers) that it was such an unlevel playing field. We are competing with people having 5 per cent tax rate. We are competing with people having cost-effective capital. You are putting companies under a draconian tax system. The structure does not marry the relevant global economy of today. We moved as part of the Abbott transaction, because of the assets and nature of the transaction, which gave us the opportunity and we took it.

***India is also becoming a country with a convoluted tax structure. Have you faced any issues?***

India has been doing a pretty good job with its tax-free development zones. Your CSR (corporate social responsibility) model is something the rest of the world should follow. It is a great thing to give back to the country, especially when you are developing. It will take time to execute such things than talking. It takes time to get the support you need to do that. There were some bureaucratic issues. So, we went and educated them. Once that was done, our acquisitions were smooth and effective.

***What was the rationale in bringing Abbott as your largest shareholder with 22 per cent? Was it to help you financially in bigger acquisitions?***

It was an asset transaction and was structured as a 100 per cent equity deal. Now, they are on to 14.5 per cent. The Abbott CEO was confident to get pretty good returns on that investment. They are also supporting the Perrigo transaction. ◆

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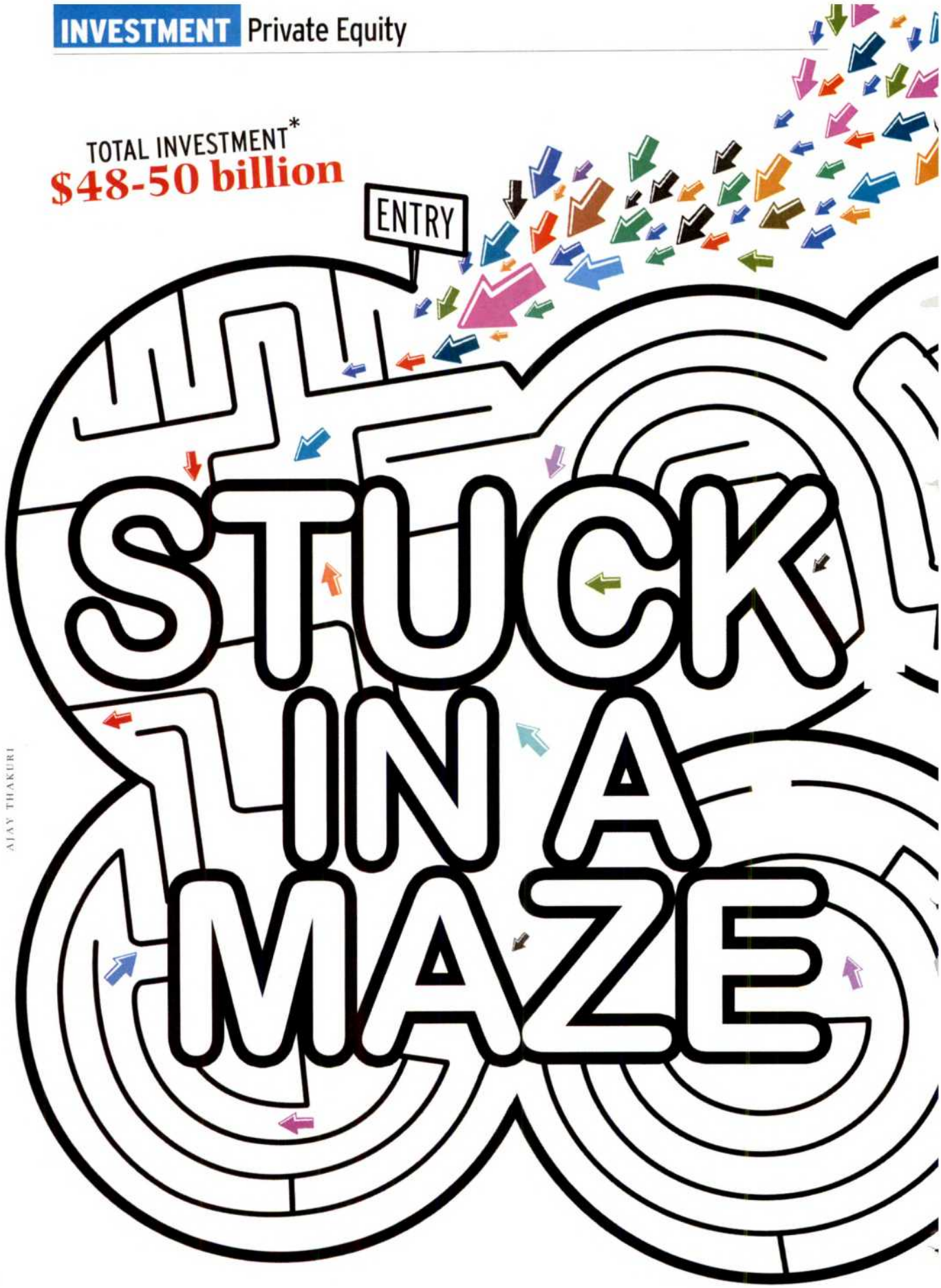



AJAY THAKURI

*For the period 2009 to 2014

The private equity industry finds itself trapped in mid-sized companies with no hope of exits in the near future.

**By ANAND ADHIKARI and MAHESH NAYAK**

Some two years ago, an affiliate of KPMG in India detected foul play in the books of Mumbai-based Fourcee Infrastructure, a logistics provider for specialty chemicals. The auditor subsequently raised an alarm for accounts irregularities.

Such issues are generally swept under the carpet in most small-sized closely held companies, but private equity (PE) companies are indubitably more transparent. General Atlantic, Fourcee's 36.5 per cent PE partner, escalated the matter by appointing another independent auditing firm, EY (erstwhile Ernst & Young), to further investigate the matter. The promoter duo, Rajesh Lihala and Vinay Singh, agreed half-heartedly – together they hold a majority stake. EY stumbled upon more instances of wrongdoing, including inflated revenues and profits and forged bank statements.

Indeed, Fourcee is an example of bad investments that PE companies are in-

creasingly getting stuck with in India. General Atlantic was not new to the game. It was an early investor in Patni Computer, among its biggest investments in Asia, way back in 2002, and picked up a stake in Fourcee only in 2012. There are PE companies who have invoked "arbitration clauses" in Singapore and London courts to put pressure on promoters to honour contractual or commercial agreements.

The problems of PE firms have their genesis in the high octane growth period of 2005 to 2008 for corporate India. PE players are widely believed to have been carried away and invested in companies at generous valuations. "PEs went in with their eyes closed. They did not think through exits properly," says a veteran private equity player who has now started a fund of his own.

The Indian growth story was a magnet for global investors, from UK's Apax Partners to US-based Apollo Global. The success stories of Warburg Pincus (Bharti), Temasek (ICICI Bank) and ChrysCapital (Suzlon) lured new players. But over the last few years, the returns for PEs, at the time of exit, have fallen sharply (see *Dipping Returns*).

Many PE players had little understanding of India's family-owned companies. They were also not well informed about governance issues related to the country's small and medium enterprises. These players – flush with cheap funds – poured big money into real estate, infrastructure, capital goods & engineering and consumer durables companies. "In several cases, the mismatch of demand for investment grade assets and the available supply of capital led to inflated valuations," observes a recent McKinsey report on the PE industry.

The PE industry poured $40 billion in mid-sized growth companies in the boom period of 2004 to 2008. It is time to exit for these funds but many of them are struggling to cash out. Ideally, General Atlantic should have exited Fourcee this year after a five-year holding period.

Meanwhile in India, the PE industry is also grappling with another problem. It is taking a haircut as the rupee has depreciated against the US dollar over the past five years by around 40 per cent.

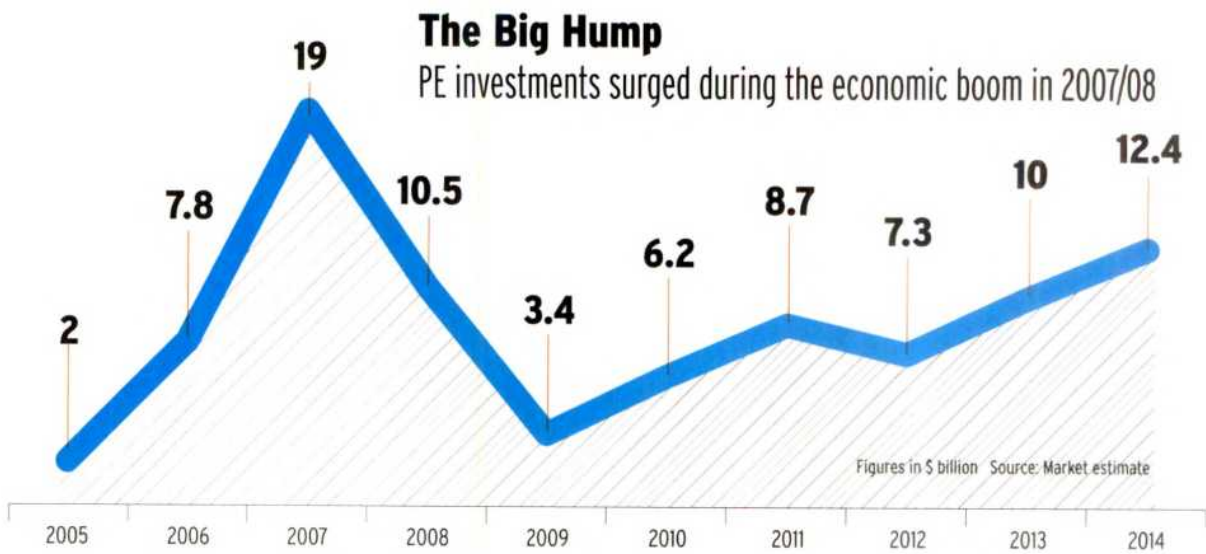
Many PE players have recently made huge losses in exits – most of these deals have not even been reported. "Nobody tells you about the written-off deals. These PE players are unlikely to recover their investment," says industry expert. PE industry mentions infrastructure development company Asian Genco as an example. Half a dozen marquee names – General Atlantic, Goldman Sachs, Morgan Stanley, Northwest Partners and Everstone – invested half a billion dollars in 2010. These PE players are unlikely to recover their investment.

Notwithstanding the challenging environment and the financial stress in mid-sized companies, the PE industry doesn't have much influence on investee companies. Almost 90 per cent of the deals are for a minority stake with the promoters managing the affairs of the company. "This has restricted their influence. They are called upon for advice when needed, but have limited scope for direct intervention," explains the McKinsey report.

**"THE LONGER YOU HOLD ON TO AN ASSET, THE MORE DIFFICULT IT BECOMES TO GET OUT AS THE OPERATING LEVERAGE GOES AWAY"**

**VIVEK PANDIT,** Director, McKinsey & Company

The PE players, or general partners (GPs), are actually custodians of money advanced by limited partners (LPs) – high net worth individuals, pension funds and institutions. PE funds have to return the money of these LPs after a few years along with substantial returns (usually 20 per cent per annum). While the industry has now lowered its return expectations in India, how will they explain poor performance to an LP? "At best, these PEs can extend the period of the fund for a few more years," says Anish Jhaveri, founder of Olphans Capital, a provider of seed capital.




## How It Works

Typically, a PE firm invests in a portfolio company with a four-to-five year time horizon. During this period, the investor brings additional capital, helps in driving operational efficiencies, and lends its expertise in technology and markets to give a fillip to revenues and profitability.

A PE investor looks to exit at the peak of the company's financial performance after making super normal returns. In the pre-2008 period, the average holding period was just three years. "But the longer you hold on to an asset, the more difficult it becomes to get out because the operating leverage goes away," says Vivek Pandit, Director at McKinsey & Company.

Historically, the most favoured route for a PE exit is an initial public offering (IPO). This is largely because shares often get the best valuation in an IPO. The US-based PE firm Warburg Pincus, one of the early entrants in India, has made a fortune (3.5x to 6.2x) post listing in some of the blue-chip Indian companies, including Bharti Airtel, Kotak Mahindra Bank, Alliance Tire, Sintex and Max India. In the past, one-third of the exits has happened through the IPO route. In the current year, Aditya Birla PE and SAIF Partners have made good returns in fruit drink maker Manpasand's IPO. Similarly, Sequoia Capital and Tiger Global made profitable exits in Just Dial's public offering in 2013.

But not all investors are lucky. There are over 2,000 PE-backed companies waiting to launch their IPOs. "So far, the investors are cheering only select sectors like FMCG or unique business models like Just Dial. The rest have to show inspiring financials to get value through an IPO," says an investment banker on condition of anonymity.

SEBI is flooded with draft prospectuses. At last count, experts estimate over ₹1,00,000 crore worth IPOs are in the pipeline, but only a handful of companies has raised funds. Clearly, promoters are not happy with the valuations being offered in the primary market. Blackstone was almost ready to exit from Emcure Pharmaceuticals some two years ago, but the IPO had to be withdrawn because of poor response. This US-based PE company later managed to sell its stake to another fund, KKR, without making much money. Mauritius-based New Silk Route (NSR) managed to sell its stake in Ortel Communication through an IPO but the stock price plunged after listing. "Small investors are getting stuck with a lemon," says a market observer. Adlabs Entertainment, in another instance, saw its offer price changing twice – from ₹221-230 per share to a much lower band of ₹185-215 per share. This stock, too, is trading below the offer price. Experts blame the investment banking community for setting unreasonable price bands in an IPO. "In nine out of 10 cases, the i-bankers in their enthusiasm go out and build very optimistic scenarios, which is not the case on the ground," says a market observer.

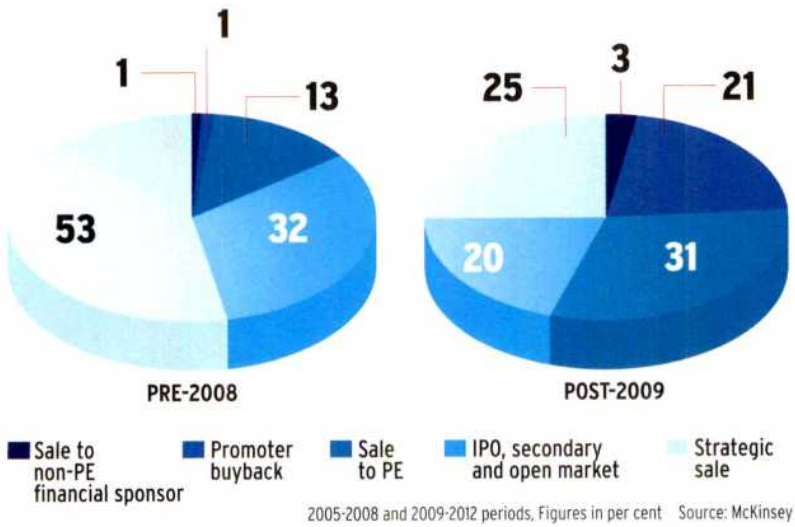
PE firms also don't have the luxury to exit completely in an IPO. "It's not considered good by the market as money doesn't come to the company. The IPO has to be a combination of fresh equity and offer for sale," says Mayank Rastogi, Partner (PE Transaction Services) at EY. Institutional as well as retail investors look for growth prospects in a company launching its IPO. And that will happen when new money comes into the company.

## Dialling Another PE

PE-to-PE secondary sale has never been a popular exit route in the past. Prior to 2008, one-tenth of the deals took place through this route. Surprisingly, this route is now getting

## Changing Exit Strategy

Promoter buy-back, sale to another PE fast emerging as exit routes




2005-2008 and 2009-2012 periods, Figures in per cent Source: McKinsey

crowded, accounting for one-third of the exits in the last five years. (See *Changing Exit Strategy*.)

"The distress in many of the investee companies is because of the cyclical nature of the industries and the slowdown in the overall activity in the economy," says an executive of a PE firm. "This route offers a good investment opportunity for a new player as the valuation expectations of an existing PE player is also low." In June this year, KKR bought Warburg Pincus's stake in pathology chain Metropolis. Similarly, Everstone is in talks with Advent for buying its stake in Care Hospital.

In fact, many PE firms are locked in negotiations with other PEs to take over their stake. "In any secondary situation, you will see lot of due diligence and new sets of governance rights and privileges. The new PE player will have his own arrangement in terms of returns and exit strategy," says Nishant Parikh, Partner at Trilegal, a corporate law firm.

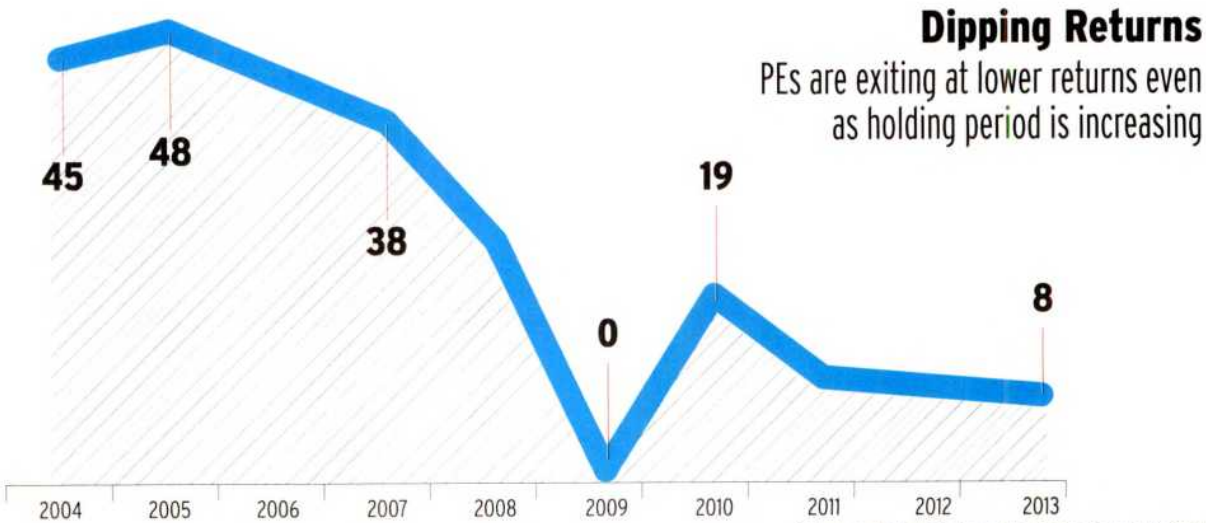
Sceptics, however, say secondary sales won't be able to absorb the $40 billion stuck in many of the struggling sectors such as real estate and infrastructure. Indeed, almost 30 per cent of the funds are locked in real estate.

As a fall-back option, PEs have a compulsory buy-back clause with promoters – it allows them to sell their stake to promoters. In the pre-2008 years, buy-back was non-existent as IPO, strategic sale and PE-to-PE emerged as the dominant exit routes. In the current challenging environment, the PE industry is making last ditch attempts to exit investee companies. Today, one-fifth of the exits in India is taking place through the buy-back route. In June, Baring Private Equity invoked the buy-back clause in cement major Lafarge India – this move came after the global merger of Holcim and Lafarge. Baring, which bought 14 per cent stake for €200 million, sold the stake for €270million.

According to experts, promoter buy-back is a very

## Dipping Returns

PEs are exiting at lower returns even as holding period is increasing




Returns realised at exit, Figures in per cent Source: Mckinsey

contentious issue. It often leads to "valuation" differences between the promoter and the PE player. The buy-back price is based on the internal rate of return (IRR, normally over 20 per cent per annum) promised at the time of entry. The fair value price or the company valuation should factor in the IRR. "We also have to understand that an investee company's assets are the only assets of an Indian promoter which he or she holds by way of shareholding in the company," defends Nishant Parikh of Trilegal.

There have been instances when the promoters have refused to honour their obligations. For example, a loss-making company's fair value won't be able to include the IRR. Under such circumstances, a promoter turns hostile by claiming that he is not duty-bound to pay anything higher than the current fair value of the share. The Reserve Bank of India regulations also state that non-resident Indians (including global PEs) cannot be paid more than the fair value in any exit. "The legality of assured return clauses or enforceability is also a questionable thing," says Jhaveri.

Legal luminaries contend that a fair value is ultimately an opinion. "There is a good deal of subjectivity in arriving at fair valuation," believes Parikh of Trilegal. The UK-based PE 3i Investment, for instance, is embroiled in a legal battle with promoter CVR Group of Krishnapatnam Port over the buy-back agreement. "In India, you cannot alienate a promoter. You have to sit with the promoters," says a PE player. In the West, the rights of PE firms are well protected by the judicial system, which is fast and efficient. "In India, even a cheque bouncing case can take a couple of years to resolve," says Jhaveri.

## Strategic Sale

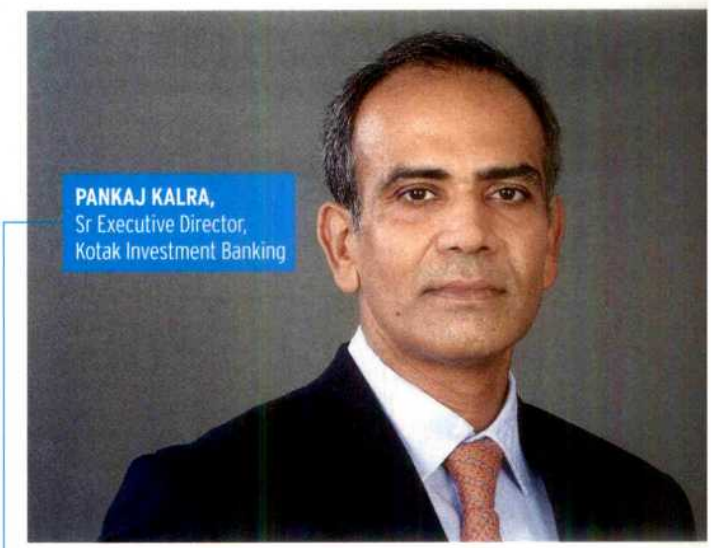
The promoter-driven or family-owned characteristics of the Indian industry also come in the way of strategic transactions, which are built in the agreements. The promoters generally have a first right of refusal. In April, the UK-based Apax Partners sold its 28.91 per cent stake in IT major iGate to Capgemini, which is a leading consulting and outsourcing company. Recently, Malaysia-based Parkway Hospital acquired 74 per cent stake from Everstone Capital and Anand Rathi Capital Advisor in Hyderabad-based Global Hospitals. PE players are now predicting that the next transaction in Alliance Tire will be a strategic transaction. In April 2013, KKR bought 90 per cent stake in global tire maker from Warburg Pincus, another PE. Pankaj Kalra, Senior Executive Director at Kotak Investment Banking, says that the challenge tends to be the valuation. "Valuations are not cheap in India," says Kalra.

An executive with a PE player narrates an incident where his firm had to threaten the promoter of a real estate company with a strategic sale to force him to buy-back at a higher price than initially offered. The price offered by a competitor was almost double the price quoted by the promoter. "The developer finally relented to buy back at the new discovered price," says the executive.

But there are also agreements where a PE can sell out only to a financial investor and not to a strategic investor. There are many deals where promoters have stated that a PE can only sell to a third party with prior approval of the promoter family. "PEs have given away their rights without realising what they are getting into," says a domestic PE player.

## The Pipe Deals

The Indian PE industry also saw heightened activity in private investment in public equity (PIPE) over the last decade. There are estimates of 20 to 30 per cent private equity money parked in mid-size listed companies. These investments are easiest to offload as the secondary market route is available to private equity. But valuations have taken a dip as most of these investments came at the height of the stock market boom. Some of the PE players are now forced to exit either at a loss or low returns. ICICI Venture has sold a part of its 15 per cent stake in Electrotherm (India), an induction furnace unit. The domestic fund has seen a massive erosion of its capital in the Gujarat-based company. Similarly, Warburg Pincus made investments in automaker Amtek Auto and steel major Punj Lloyd during the boom year of 2006. The US-based fund has exited these



**PANKAJ KALRA,**
Sr Executive Director,
Kotak Investment Banking

**"THERE ARE PE INVESTORS WHO SCOUT FOR BUYING OUT ENTIRE PORTFOLIOS"**

RACHIT GOSWAMI

**"IN ANY SECONDARY SITUATION, YOU WILL SEE A LOT OF DUE DILIGENCE AND NEW SETS OF GOVERNANCE RIGHTS. THE NEW PE PLAYER WILL HAVE HIS OWN ARRANGEMENT IN TERMS OF RETURNS AND EXIT STRATEGY"**

investments recently at a loss. ChrysCapital made a quiet exit last year from its 2008 investment in infrastructure unit Gammon India.

## The Way Forward

Some are predicting a shakeout in the PE space. "There are PE investors who are scouting for buying out entire portfolios," says Kalra of Kotak Investment Banking. Experts see this happening as there could be a possibility of an LP forcing a complete exit of portfolio where the fund is small with no visibility of exit in the near future. There is already one deal where JP Morgan acquired the entire portfolio of Canaan Partners in April this year. Globally, complete buy out of funds is very common.

But for those PE firms who are stuck and ready to swim with the promoters in these tough times, the way forward is to focus on improving the housekeeping. There are some PEs which are working along with promoters to engage the services of consultants to improve the cash flows and get the growth engine firing again.

A consultant on condition of anonymity shares that there are lot of strategic direction initiatives, including performance matrix and sales maximisation. "They are hedging or guarding their downside. This is not a true blue PE attitude," says Deep Mukherjee, Director, India Ratings.

Clearly, there are lessons learnt. Most of the PE players are aiming at majority control to have a better grip over the company. The recent Baring deal with IT major Hexaware, for example, was for majority control. The PE firm has brought in a CEO for turning around the company. "It's very important to us that we know the management and the company and they should also know us," says Rohit Sipahimalani, Co-head Investment Group & Head India, Temasek. Sipahimalani gives an example of its recent investment in Intas Pharmaceutical, Ahmedabad-based company, where they have known the company and management for a long time even before they though of buying stake in the company. "We like them, wanted to pick a stake in them and when ChrysCapital wanted to sell, we got an opportunity to make an investment in the pharma company," says Sipahimalani. Meanwhile, domestic players such as Everstone, started by former Goldman Sachs employee Sameer Sain, and Renuka Ramnath's Multiples have established themselves in the market. They are more assertive and often play a big role in deciding the future course of action for investee companies.

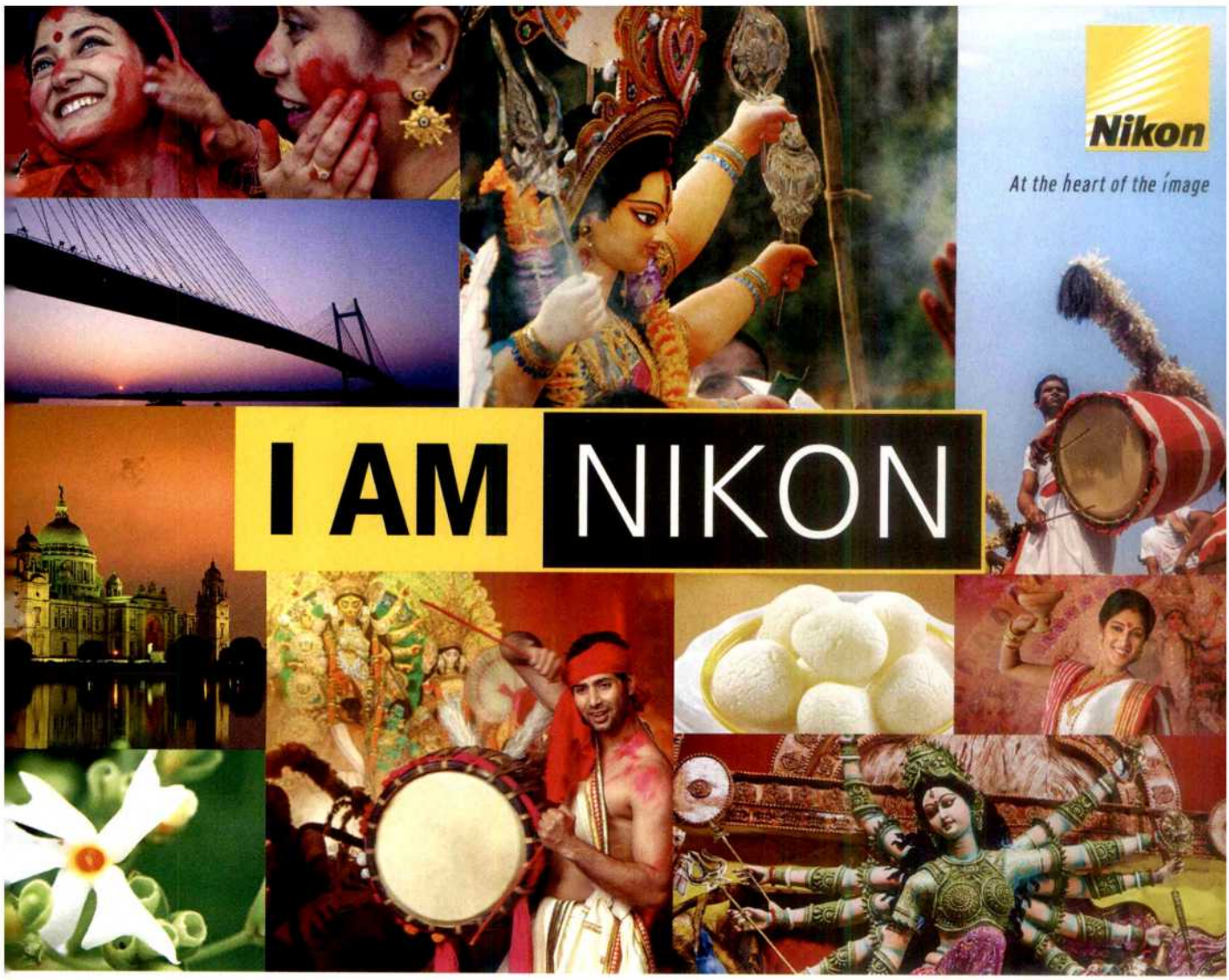
Some $100 billion PE money in the last one and a half decade has found its way into Indian companies. It has provided a new source of financing Indian entrepreneurs. Warburg has taken early bets in the telecommunication space which has changed the industry landscape. Similarly, IT, pharma and health-care sectors have received ample PE funding. "Out of the $8-10 billion that came in the last one year, a disproportionate amount has gone in the technology and Internet space," says Kalra of Kotak. In fact, billions of dollars are expected to pour into new technology driven start-ups.

But General Atlantic's experience with Fourcee is a stark reminder of the need for PE companies to temper exuberance with realism. It is important to exercise prudence while investing to avoid getting singed. ◆

*@anandadhikari, @MaheshNayak*

## The New Face of Indian PE

- Clear demarcation of PE and venture capitalists
- Far more focus on promoter quality
- Thrust on buying out majority stake
- More secondary market or PIPE deals
- More sectoral focus
- Well thought-out exit strategies while picking up minority stakes
- New breed of home-grown private equity funds establishing themselves

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### NGO (Projects by Non Governmental Organizations)

| | |
|---|---|
| Winner | The Evangelical Fellowship of India Commission on Relief (EFICOR)<br>Project: Disaster Risk Reduction Project, Lakhnaur Block, Madhubani District, Bihar |
| Runner Up | Rural Reconstruction Organisation<br>Project: Engagement of MHA in innovative way to facilitate the MNCH services in remote areas of Keonjhar |
| Jury Award | Rejuvenate India Movement<br>Project: Mera Terah RRRun |

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| | |
|---|---|
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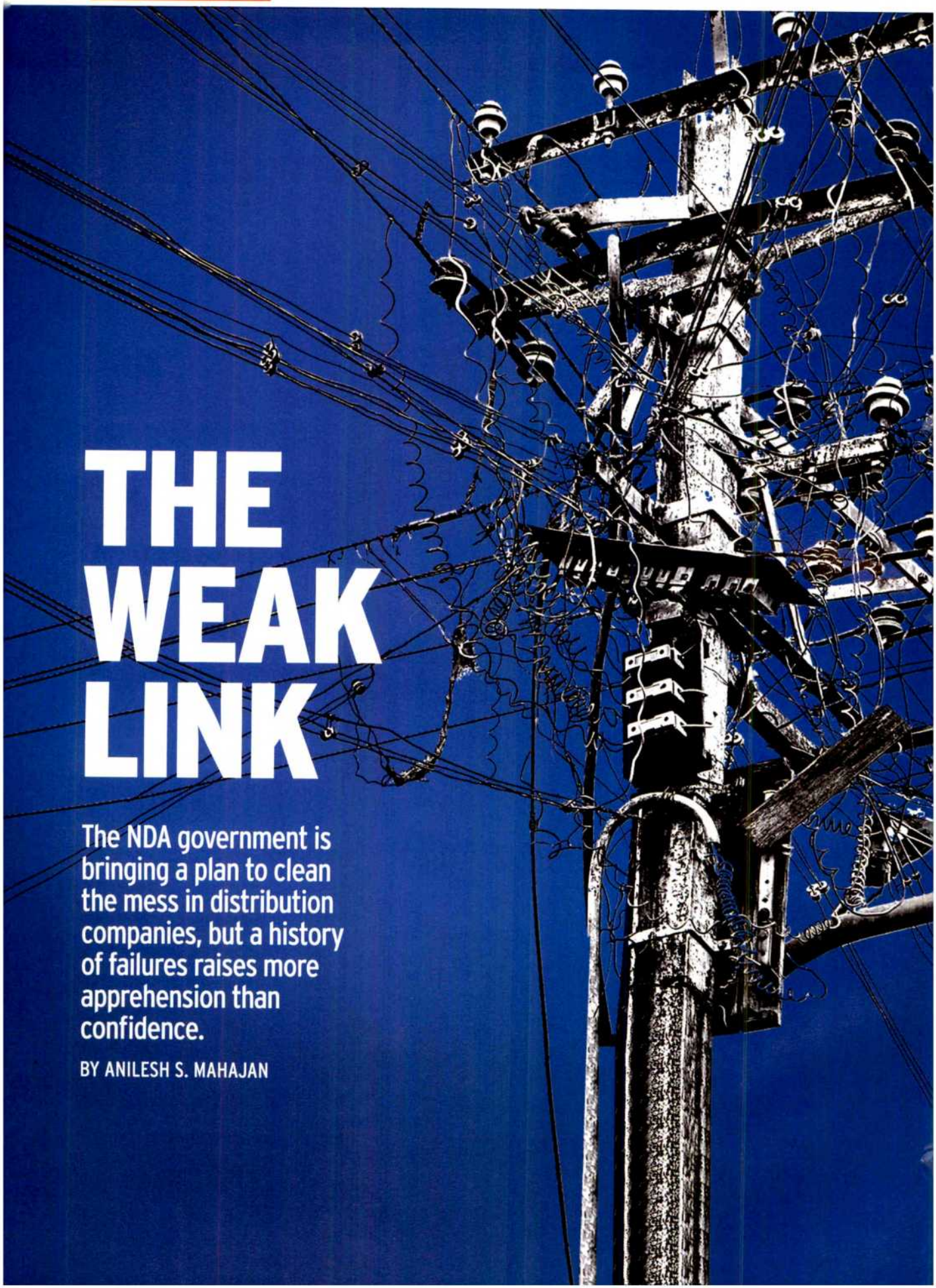
**Winner** Indian Oil Corproration Ltd (IOCL)
Project: Butene-1 Project at Panipat Naphtha Cracker, IOCL, Panipat

**Runner Up** Angelique International Limited
Project: Nyabarongo Hydro Electric Project 28 MW (Rwanda)

### LARGE (Project cost more than INR 1000 crores)

**Winner** Jindal Power Limited
Project: O P Jindal Super Thermal Power Plant Phase 2, Unit 3

**Runner Up** Larsen & Toubro Limited
Project: 2X700 MW Rajpura Supercritical Thermal Power Project



# THE WEAK LINK

**The NDA government is bringing a plan to clean the mess in distribution companies, but a history of failures raises more apprehension than confidence.**

BY ANILESH S. MAHAJAN

If there is one electoral promise that the Indian voter is unlikely to pardon the Narendra Modi government for non-fulfilment by the next Lok Sabha elections, it will probably be 'power for all by 2019'. It's an emotive issue. It evokes anger when it affects children's preparations for exams or is the cause of 'dark' weddings of brethren and that botched surgery because of power failure – all very harsh realities. Four years down the line, the electorate will assess the government not on whether the target has been achieved on paper, but on ground. Rhetoric will have to give way to reality and targets to execution.

Successive governments have played with these emotions of the electorate without actually delivering on the promise. India – the world's third largest producer and consumer of power – continues to remain incapable of supplying 24x7 power to its citizens, even 68 years after Independence. Even though 98 per cent of Indian villages have at least a power line, only 80 per cent of households have access to power. There are still 28 crore people who are without electricity. The country's per capita power consumption stands at only 1,010 KWh, which is one-third of China's and less than one-tenth that of the US.

But there is hope. With India now sitting on a 31 per cent higher power generation capability than its peak demand of 164 GW (a legacy of the preceding UPA government) and the Piyush Goyal-led power and coal ministries working in tandem to ensure sufficient coal supplies to all power plants (an achievement of the current NDA government), the country

## THE POWER EQUATION

**Accumulated losses of state transmission utilities till 2013/14**

| STATES | ACCUMULATED LOSSES (RS CR) | % OF GSDP | SUBSIDY (RS CR) | DEBT/GSDP RATIO | FISCAL DEFICIT/* GSDP |
|---|---|---|---|---|---|
| Rajasthan | **68,938** | 13.3 | **1,523** | 24.9 | **3.5** |
| Uttar Pradesh | **60,101** | 7.0 | **5,174** | 30.3 | **2.9** |
| Tamil Nadu | **52,466** | 6.1 | **4,918** | 20.1 | **2.5** |
| Haryana | **24,180** | 6.2 | **4,981** | 20 | **3** |
| Jharkhand | **13,468** | 7.8 | **967** | 22.3 | **2.4** |
| Andhra Pradesh | **10,335** | 2.2 | **2,123** | 22.7 | **2.8** |
| Telangana | **8,476** | 2.2 | **4,183** | - | **-** |
| Bihar | **2,124** | 0.6 | **2,656** | 25.1 | **6.3** |

These states are under the financial restructuring plan; GSDP is gross state domestic product (for 2013/14) at current prices; subsidy figures for 2013/14; *fiscal deficit is gross fiscal deficit for 2013/14 (revised estimates); Source: Industry, Ministry of Statistics

SHEKHAR GHOSH

Prime Minister Narendra Modi has been promising 24X7 access to electricity to every Indian by 2019

is half way there to realise its dream of 24x7 power.

The other half remains a gargantuan task – both politically unpalatable and financially debilitating. It involves fixing an enormously inefficient and bankrupt power distribution system that has accumulated losses in excess of ₹3.19 lakh crore. This explains, why in the last 12 years of reforms, governments considered it too much of a hot potato and left it to be dealt with by the next one.

Its root cause lies in the inability of state governments to muster up courage and raise power tariffs as power generation and distribution costs continued to rise. That has laid 21 of India's 29 power distribution companies ailing; preventing modernisation of equipment and networks, and creating a vicious cycle that they are now struggling to get out of. According to a study by rating and research firm ICRA, the state discoms likely consumed subsidy worth ₹72,000 crore in 2014/15. In 2015/16, this is expected to be more than ₹80,000 crore, expanding the total accumulated losses to nearly ₹4 lakh crore.

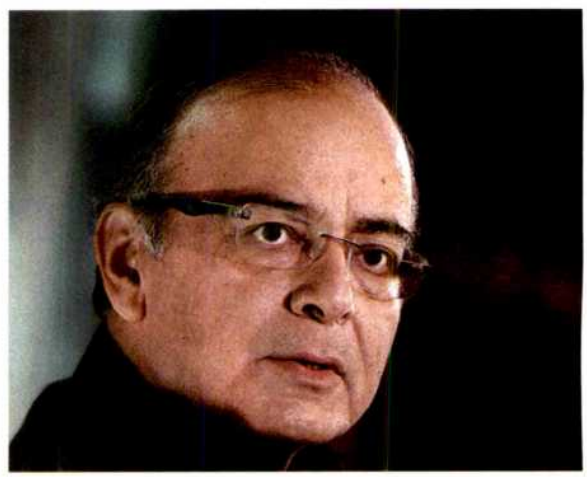
Reforms would require states to swallow the bitter pill. But, will they?

## A Mountain Of Losses

Nearly 70 per cent of the ₹3.19 lakh-crore losses are incurred by eight states (Rajasthan, Uttar Pradesh, Haryana, Jharkhand, Tamil Nadu, Andhra Pradesh, Telengana and Bihar). The NDA government believes that the discoms of the first four states are in dire straits while the situation in the other four is reasonably challenging.

The biggest culprit is Rajasthan where the BJP came to power in 2013, after five years in the opposition. Rajasthan Chief Minister Vasundhara Raje Scindia is in a Catch-22 situation. Her state may be the investors' new favourite destination, but Raje must find a way out for the state's power distribution companies that continue to bleed profusely. So far, however, she has failed to break the shackles.

The state's three distribution companies had accumulated losses of ₹77,453 crore by FY14/15. Today, the losses



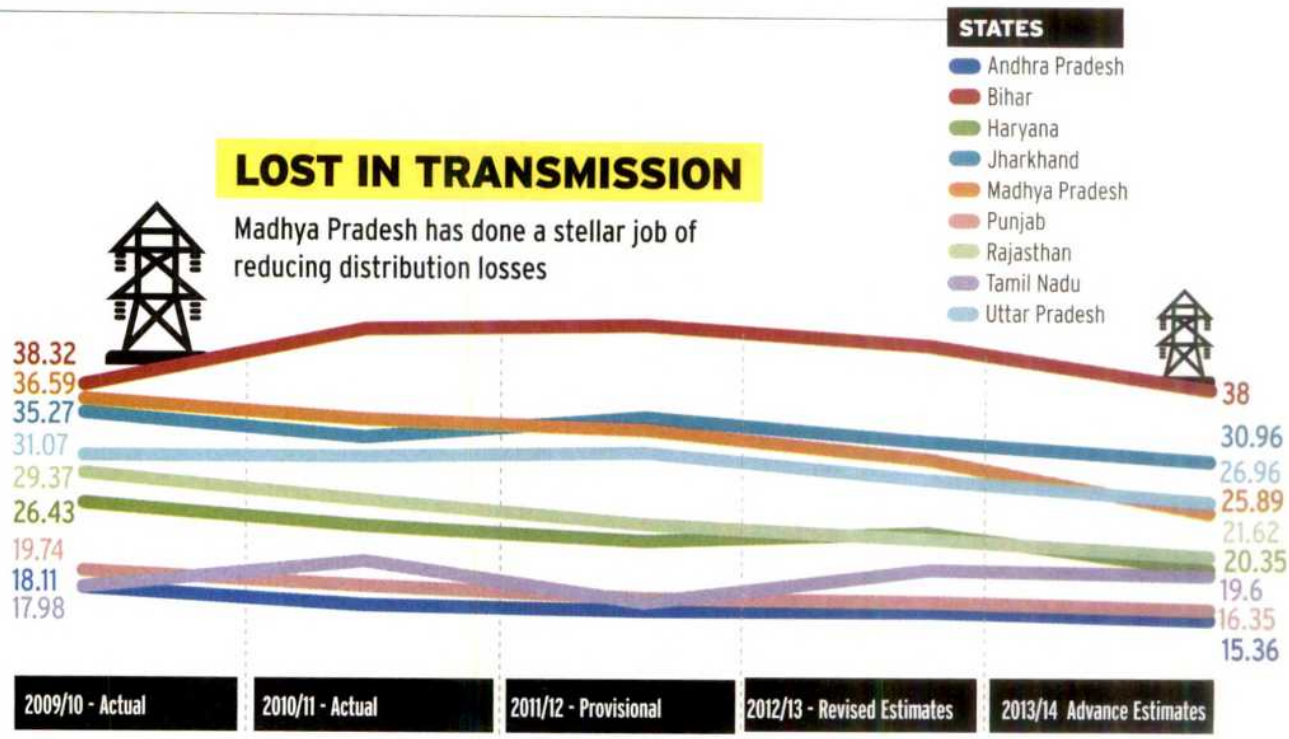
CHANDRA DEEP

**ARUN JAITLEY/** Finance Minister

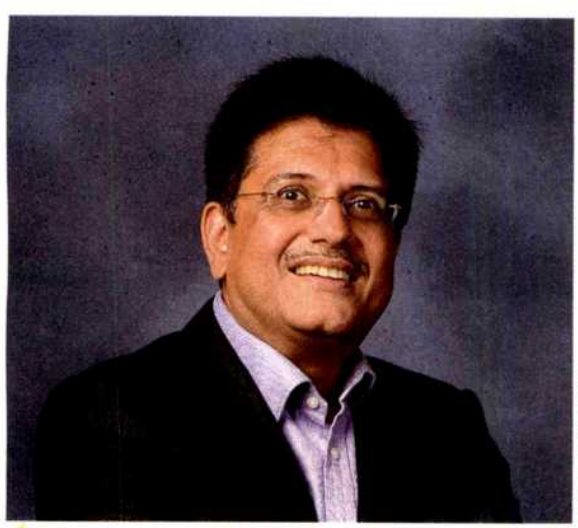
"States will have to finance the losses made by their distribution companies. They must not expect public sector banks to fund the deficits"

have crossed ₹81,000 crore – roughly 15 per cent of Rajasthan's gross state domestic product (GSDP) at current prices. Between 2005 and 2011, the state did not raise power tariffs, resulting in a financial loss to discoms. Losses mounted despite the state opting for a financial restructuring plan in 2012, only to witness a marginal fall in 2014/15 (₹13,100 crore) against the previous fiscal's ₹15,643 crore. This year, it is expected to come down to ₹10,000 crore. Rajasthan's plight is no different from the others, and the discoms are threatening to rein in India's reignited growth story.

The PM Modi-led NDA government is working on a plan to push the states for financial and technical restructuring. Finance Minister Arun Jaitley clarifies this would




States selected are heavy debt states; figures are per cent of power availability; Source: Planning Commission



VIKRAM SHARMA

**PIYUSH GOYAL/** Power Minister

"Some states were not charging adequate money for power, which was affecting the health of their discoms. Tariffs must reflect the true cost of supply"

not be a bailout plan like the previous two attempts by the UPA government. Instead, bureaucrats at his ministry say that if the states fail to cut losses and abide by the financial restructuring, they will have to cope with punitive action in the form of curtailed funds from the central pool.

Though the Centre's plan is expected to be unveiled in the second week of October after the PMO and cabinet vets it, BT pieced together information from various quarters about how the government is planning this rescue mission.

The government has constituted a distribution reforms committee under the power secretary, along with secretary (Banks), chairpersons of Power Finance Corporation and Rural Electrification and representatives of Torrent Power, Tata Power and CESC. But the assistance may not come easy as the distribution companies are been asked to go through a list of must-dos.

The Centre is likely to push the respective state governments to transfer the debts of their respective discoms on their own books, and raise bonds against a part of the debt every year until most of the loss is wiped out from the books of the power distribution companies. "States will have to finance losses made by their distribution companies. The states must not expect public sector banks to fund the deficits faced by power distribution companies," says Jaitley. These provisions are stringent but Deepak Amitabh, CMD of Power Trade Corporation says: "These are the best solutions at the time with the given scenario (mounting losses)."

To give these states some elbow room, the finance ministry may also allow an additional 25 basis point margin under the provisions of Financial Responsibility and Budget Management (FRBM) Act which would limit the states' fiscal deficits to 3 per cent of their GSDP. The new norms may also extend the states' debt ceiling to

## POWER POINTS

**₹3.19** lakh crores is the total loss of Indian power distribution companies

**25** basis points additional borrowing may be allowed to states that commit to reduce these losses

**78%** revenue collection rate of Uttar Pradesh is one of the lowest in the country

**40%** of Rajasthan's electricity supply goes to farmers; this is inefficiently priced

**20.9%** was the average tariff hike by eight troubled distribution companies in 2012/13; the figures were 8.9% and 7.6% in 2013/14 and 2014/15, respectively

**5.90%** of the total loan portfolio of banks is non-performing assets; the power sector is one of the biggest contributors to this

**276** GW is the total installed capacity in India

**59.6%** is the plant load factor of India's thermal power plants in peak summers

**1,010** units was the country's per capita consumption in 2014/15

**1,049** billion units were generated in 2014/15, an increase of roughly 8 per cent over the previous year

**28** crore Indians still don't have access to electricity

**Free power** is given to farmers in Punjab and Andhra Pradesh

10-20 per cent of GSDP. The government is also working out norms for restructuring loans from financial institutions. However, the states do not have the financial wherewithal to absorb or service this enormous debt. For instance, in the case of Rajasthan, the losses are equal to 12 per cent of its GSDP – something that could cripple its economy. And, it may not have the bandwidth to transfer the loans on its books. For instance, even after accounting for the 25 bps extension, Rajasthan would be able to take barely ₹1,750 crore of additional debt against its accumulated losses of over ₹81,000 crore.

The Centre wants the states to transfer most of these losses over a period of five years. However, given that the states' own finances continue to be fragile, the new proposal might suffer the same fate as the previous government's failed financial restructuring plan introduced in 2012. The other troubled state is Uttar Pradesh, where the total losses of distribution companies stand at around 10 per cent of its GSDP.

But, states really don't have an option. "There is a feeling among the leadership in these states that they have reached a point of no return," says PTC's Amitabh. In fact, even the Reserve Bank of India has put the governments of Rajasthan, Uttar Pradesh, Haryana and Jharkhand on notice.

### A Bitter Pill To Swallow

Eventually, however, it will all boil down to whether the state governments have the political capital to swallow the bitter pill and raise tariffs to finance the losses and pay back the bonds. In the last three years, some states have increased tariffs, but the hike has been sub-optimal. In 2012/13 Tamil Nadu raised the tariff by 37 per cent after a gap of almost seven years. In fact, this year, too, the state raised the tariff by 15 per cent, but is yet to cover the cost of supply. "The political leadership needs to take a call on this, and they are left with no other option," says Bakul Dholakia, noted academician and director general of the Delhi-based International Management Institute.

While Business Today's issue was being put to bed, power ministry officials were in hectic parleys with states to convince them to adhere to the terms and conditions of revising the tariff regularly and cutting Aggregate Technical and Commercial (AT&C) losses. "Some states were not charging adequate money for power, which was affecting the health of these discoms," Goyal laments.

In November 2011, the Appellate Tribunal of Electricity asked all the

## MARGINAL IMPACT

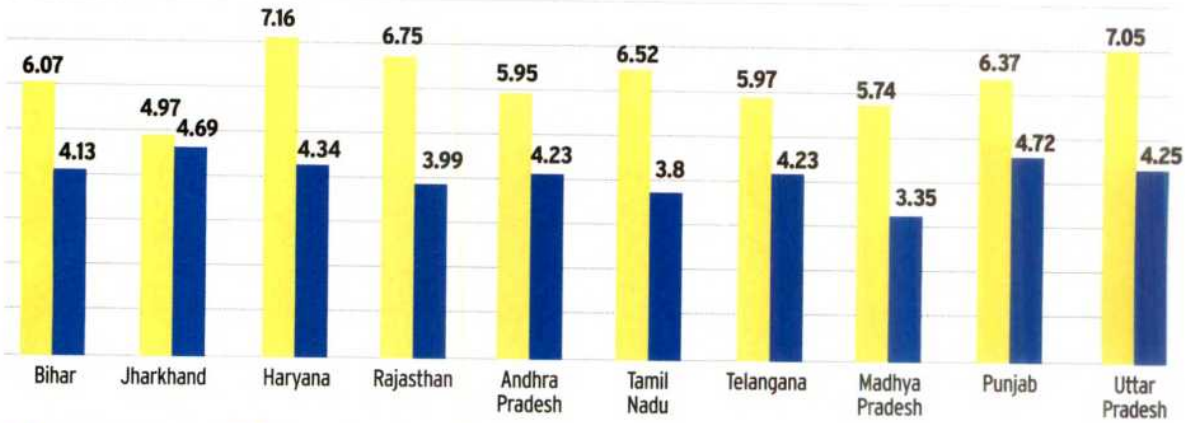
The financial restructuring plan (FRP) for eight states has not helped them in a big way

| | 2013 | 2015 (estimated) |
|---|---|---|
| AT&C losses | **27.9%** | **26.4%** |
| Total losses of FRP states | **₹0.57** lakh crore | **₹0.56** lakh crore |
| Total borrowing of FRP states | **₹2** lakh crore | **₹2.95** lakh crore |
| Percentage of all-India borrowings | **66%** | **67%** |

AT&C: Aggregate Technical and Commercial; Source: CRISIL

## POWER PILFERAGE

Theft and inefficiencies have led to high overall cost of supply




Figures (in Rs/kwh) for 2015/16;

States selected are heavy debt states; Source: ICRA, Industry

**ANIL SARDANA/** MD & CEO, Tata Power

"Barring some exceptions, state-run companies are unable to run the distribution business at levels comparable to the best-run utilities anywhere in the globe"

state regulators to be more proactive in tariff determination. Subsequently, the all-India tariff correction was 12.3 per cent. The worst eight worst performers revised their tariff by 20.9 per cent. But, subsequently, they lost steam. In FY14/15 tariff rationalisation came down to 8.9 per cent and in the following fiscal it was just 7.6 per cent. "Annual tariff hikes of 10 per cent over the next three years and a reduction of at least 200 basis points in AT&C losses are necessary for discoms to break even in the medium-term," says Sudip Sural, Senior Director, CRISIL Ratings.

Punjab and Madhya Pradesh decided not to opt for the financial restructuring plan (FRP), but they continue to reel under huge debt. Yet, this year Punjab avoided increasing tariffs as it prepares to go for polls in February 2017. Its average cost of supply is ₹6.37 per KWh, whereas the average tariff is ₹5.62 per KWh. This would require a 13 per cent revision in tariff. Punjab's distribution company is expected to incur a loss of ₹3,269 crore this year. It already has accumulated losses of ₹8,049 crore.

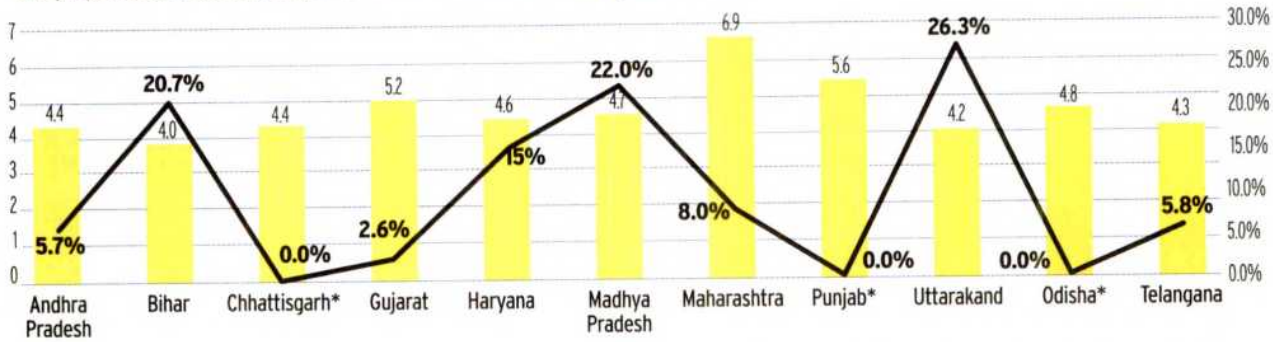
### Banking On Goyal

The biggest criticism of the new plan is that it may turn out to be another version of the previous government's failed FRP which was grossly ineffective in persuading the states to fall in line. After all, the two plans have a lot in common.

In 2012, the erstwhile UPA government's FRP had restructured short-term liabilities of distribution companies and states were asked to take up half of them through state-guaranteed bonds in a phased manner. The other half was converted into long-term loans with a guarantee

## BITING THE BULLET

The proposed tariff hikes are expected to lower the losses of state power utilities




These states have filed tariff petitions before regulators so far; *No tariff revision proposal; Source: ICRA Research

from the respective states. But the scheme failed miserably. Only eight states took up the proposal, but could not adhere to the terms and conditions, as the total accumulated losses rose from ₹2.5 lakh crore in 2013/14 to 3.19 lakh crore in 2014/15 and are projected to add another ₹60,000 crore, annually. "This scheme provided the much-needed liquidity for these companies, but states could not curtail commercial and technical losses, resulting in higher financial losses," says Sural.

According to RBI Governor Raghuram Rajan, careful decision-making is key to put the power distribution companies back on track with healthy capital structures and to absorb the debt that has been created over time with the right sort of interest rates. Piyush Goyal's ministry is already working with states on technical and distribution sector reforms to fund the segregation of feeders for agriculture and other use, setting of new feeder stations, and transforming last-mile connectivity.

### Habitual Offenders

Goyal's success or failure will depend on whether he is able to convince the habitual offenders to mend their ways. In 2013, for instance, when states such as UP were busy negotiating the terms of FRP and had promised to reduce power theft and other commercial losses, miles away in Germany, budding documentary makers Deepti Kakkar and Fahad Mustafa premiered *Katiyabaaz* at the Berlin International Film Festival. The 80-minute documentary captured the ground reality, where a professional *Katiyabaaz* or illegal connection vendor brings the entire distribution company in Kanpur to its knees. The documentary also focuses on why and how the big ideas to curtail the inefficiencies of distribution companies fail on ground.

UP continues to fare badly on collection efficiency. In 2013, it reported 78 per cent collection against the national average of 94 per cent. Its AT&C losses were around 37 per cent versus the national average of 25.4 per cent. In the first week of September, after a presentation at Delhi, the Uttar Pradesh Chief Secretary Alok Ranjan asked his power secretary Sanjay Agarwal to prepare an internal assessment report of Uttar Pradesh Power Corporation's line losses. The results were startling. For example, losses in PM Modi's Lok Sabha constituency, Varanasi, had increased from 43.18 per cent to 50.13 per cent, while in Azamagarh, a new pocket borough of Mulayam Singh Yadav, it had risen from 56.84 per cent to 63.78 per cent. Both districts are getting 24x7 electricity because of their new VIP status.

"This is the problem. 24x7 supplies are assured only because of political considerations, not because of efficiencies. This is a reality in most jurisdictions of the loss-making distribution companies. If they continue to do this, losses are bound to increase," says Shailendra Dubey, Chairman of All India Power Engineers' Federation. Meanwhile, various states, including UP (in mid-September) have issued directives to ensure increased power supply in districts. This shows a consistent improvement in line losses. But there are many like Dubey who remain suspicious of the situation on ground.

In comparison to the national average of approximately ₹0.76 per KWh difference in tariffs, states such as Tamil Nadu, Rajasthan, UP and Jharkhand will still have to bridge the 1.5 per KWh gap. In 2013, it was ₹1.63 per KWh.

Madhya Pradesh Chief Minister Shivraj Singh Chauhan told BT that it requires political willingness to cut down power theft. Madhya Pradesh, in 2012 had accumulated losses of ₹20,000 crore, but did not opt for FRP. "We asked all applicants who came for renewal and issuance of fire arms and mining licenses to get a no-due certificate from distribution companies. We also changed the law for panchayats, local bodies and co-operatives. All the contestants now need to clear their dues," the CM said, adding: "You

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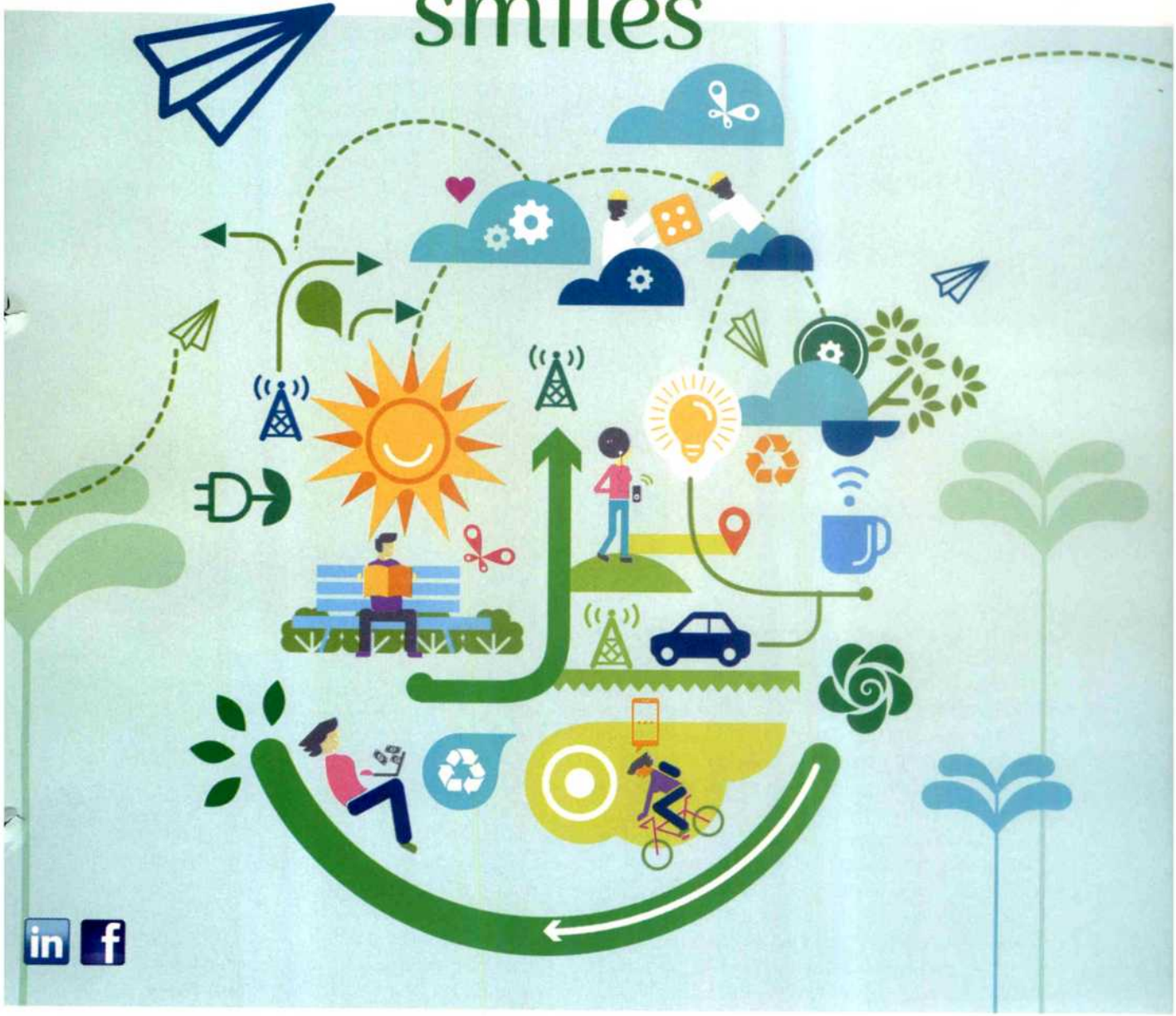

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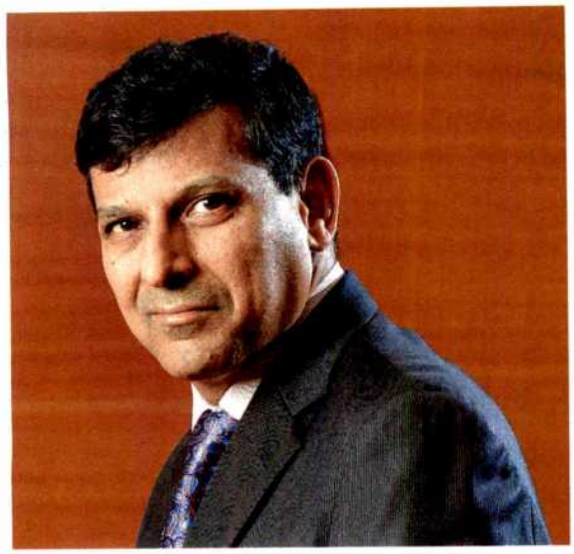

RACHIT GOSWAMI

**RAGHURAM RAJAN/** RBI Governor

"There is a need to take a very careful decision to put power distribution companies back on track and absorb the debt that has been created over time in the right place"

have to be tough to deal with power theft." Haryana has also modified its local body laws along these lines.

## Friends In Need

A friend in need is a friend indeed. At least that's what Goyal must be hoping from chief ministers of the BJP-led states. Four out of the eight worst-performing states have chief ministers from parties that are part of the NDA. "Even states governed by parties not aligned to the BJP's ideology are today working towards 24x7 supply," says Goyal. He is referring to UP and Bihar.

But has Goyal's plan incorporated the lessons learnt from the failure of FRP? "One of the lessons is poor execution. Today, electricity is a huge political issue. Every CM wants to ensure 24x7 electricity before he goes to poll," says the power minister.

Since banks are not playing ball with the troubled distribution companies, they are also finding it difficult to buy electricity. Instead, states, including Delhi, are asking the power ministry to allow revision/cancellation of power purchase agreements, or PPAs, so that they can buy power at a lower price in the spot market. Today's spot market price is at ₹2.82 per KWh as against ₹3.67 per KWh two years ago.

So, discoms would rather surrender the unfavourable PPAs of the past. Delhi's discoms, for instance, want to surrender the 2,255 MW provided by 11 NTPC-owned plants, including 693 MW from APPCL Jhajjar (Aravali) and 735 MW from Dadri-II. "The cost from Jhajjar is ₹10 per unit. The Dadri II power sells at Rs 5.4 per unit," says the CEO of a Delhi discom. The state may save up to ₹500 crore a year if it can surrender these PPAs. Similarly, in UP, Reliance Infrastructure's Rosa plant sells at ₹6.05 a unit.

For now, Goyal has started with discoms that are in a relatively better financial state. On September 22, it signed an agreement with three states — Meghalaya, Goa and Uttarakhand — that have been asked to cut losses and inefficiencies and revise tariffs accordingly. "These states can ask for financial support but only when their generation, transmission and distribution utilities abide by the rules of the respective state electricity regulatory commissions," a power ministry statement said after the agreement was signed.

CHANDRA DEEP

**SHIVRAJ SINGH CHAUHAN/**CM, Madhya Pradesh

"It requires political willingness to cut down theft. We changed the law for panchayats, local bodies and co-operatives. All contestants now need to clear their electricity dues"

CRISIL is preparing a similar roadmap for 11 other states, including Uttar Pradesh, Chhattisgarh, Madhya Pradesh, Karnataka, Tripura and Puducherry. While Deloitte has been appointed consultant for Jharkhand, Assam, Maharashtra, West Bengal and Tamil Nadu, Mecon will suggest a roadmap for Bihar, Telangana, Gujarat, Punjab and Delhi.

## Subsidy Maze

The scheme in the works also pushes state governments

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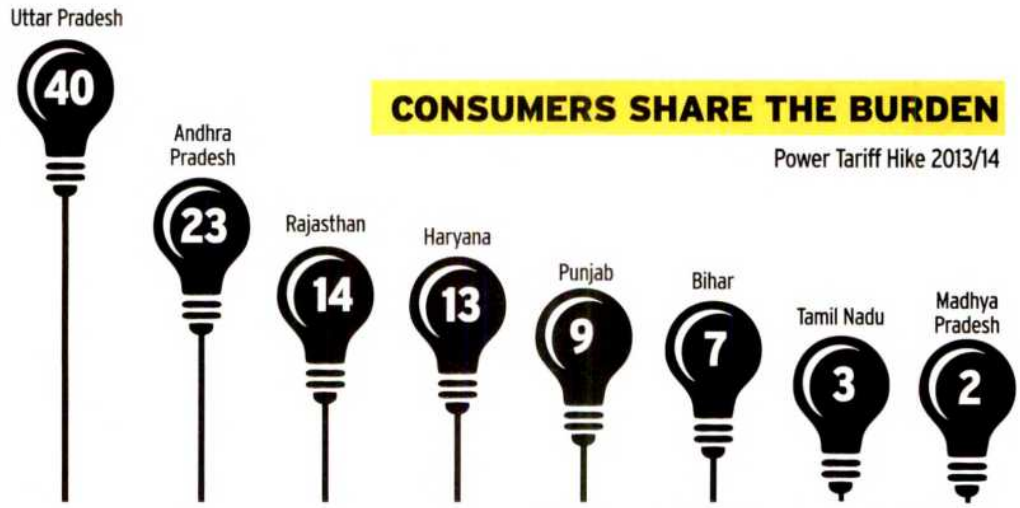


Figures in per cent; Source: Prabhudas Lilladher Research

to rationalise the subsidy payment mechanism. "Tariff is a state subject. Subsidies need to be paid upfront. Delays only add to the inefficiencies of distribution companies," says a senior officer in the power ministry who is privy to these discussions. This is a political hot potato. Every big state gives subsidy support of 20-25 per cent to distribution companies. Some, like Andhra Pradesh and Punjab, provide free power to farmers. Once the amendments in the Electricity Act, 2003, become law, these states would not be able to continue with these freebies. The amendments were tabled in Parliament last year and were referred to a select committee. The report was submitted on May 7. Fresh amendments based on the committee's recommendations will be tabled in the winter session of Parliament.

**SUDIP SURAL**/ Senior Director, CRISIL Ratings

"Annual tariff hikes of 10 per cent over the next three years and reduction of at least 200 basis points in AT&C losses are necessary for discoms to break even"

The current tariff rules allow distribution companies to cross-subsidise consumers. For example, domestic consumers pay less and the revenue shortfall is met through higher tariffs on institutional users. The proposed amendments seek to make way for segregation of distribution and transmission businesses. Also, multiple distribution licences could be issued, which means consumers will be able to choose their discoms. But the flip side is that states may have to undergo another round of losses. "The incumbent suppliers, which will be state-owned distribution companies, will have to supply to the rural segment and other low-paying consumers. But there are no provisions for subsidies in the Bill," says Dubey of AIPEF.

"Today a handful of distribution companies have been privatised. Barring some exceptions, state-run companies are unable to run the distribution business at levels comparable to the best-run utilities anywhere in the globe," says Tata Power CEO Anil Sardana. He cites the example of his company's subsidiary distributing power in North Delhi that reports profits. Rajasthan, too, is in the process of privatising three of its discoms.

Meanwhile, it's a tough balancing act for the Centre as it pushes to realise the dream of supplying power 24x7. Though there is always a slip between the cup and the lip, where there is a history of slips, it's anxiety that overwhelms confidence in the system. ◆

RESEARCH INPUTS BY NITI KIRAN

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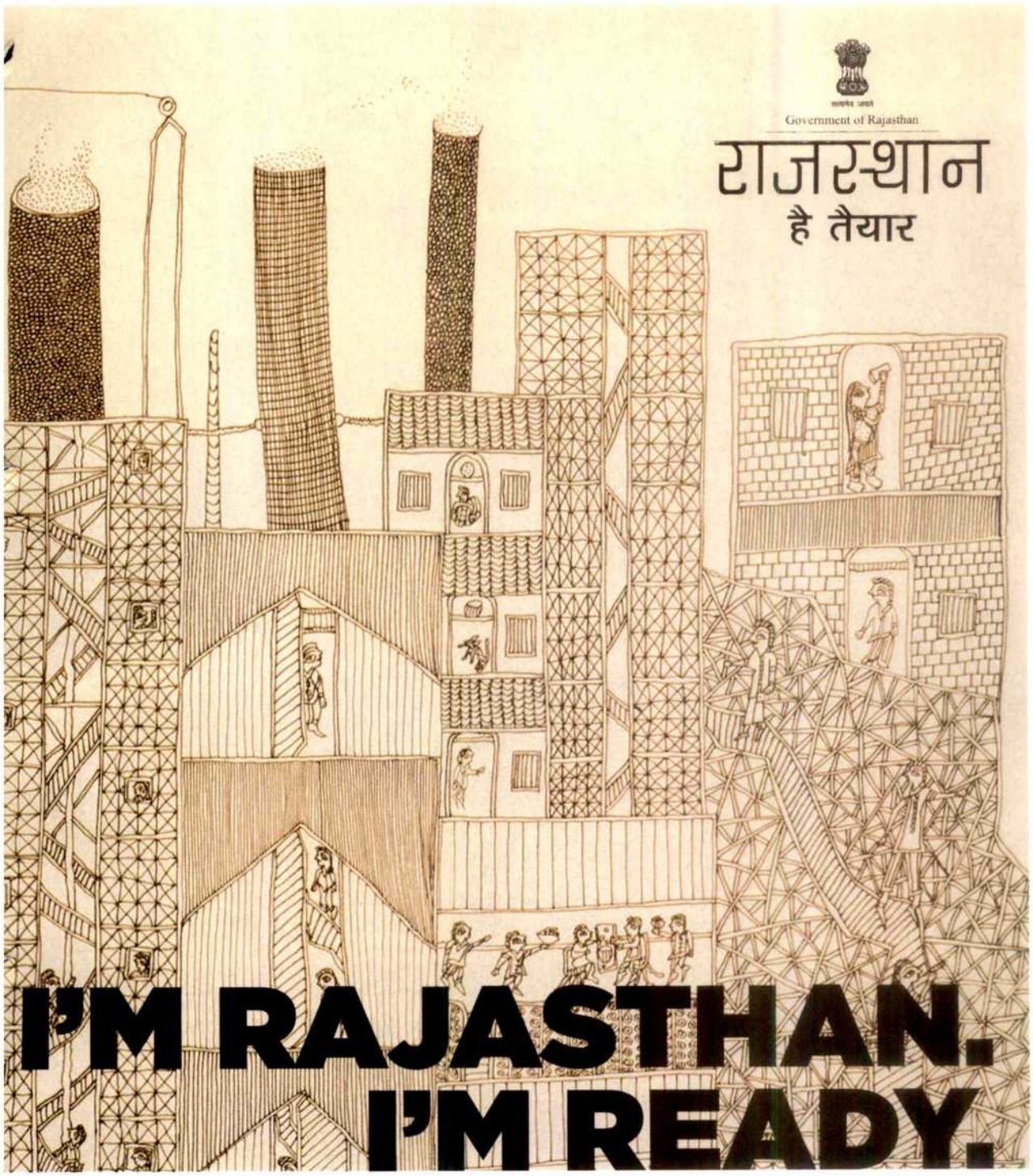
Illustration by Prakash Jogi, a tribal (Bheel) artist from Rajasthan.

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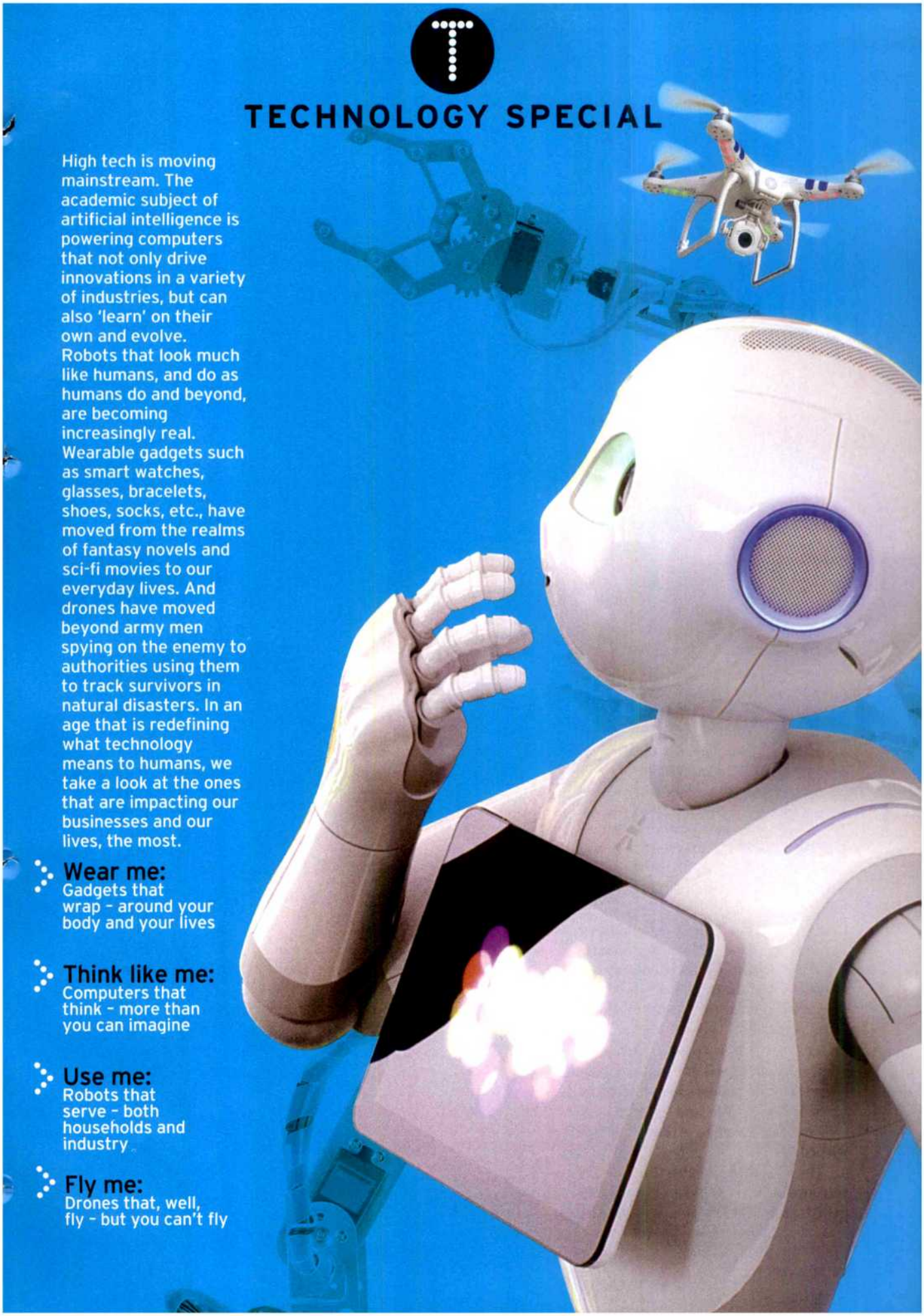


TECH TOYS

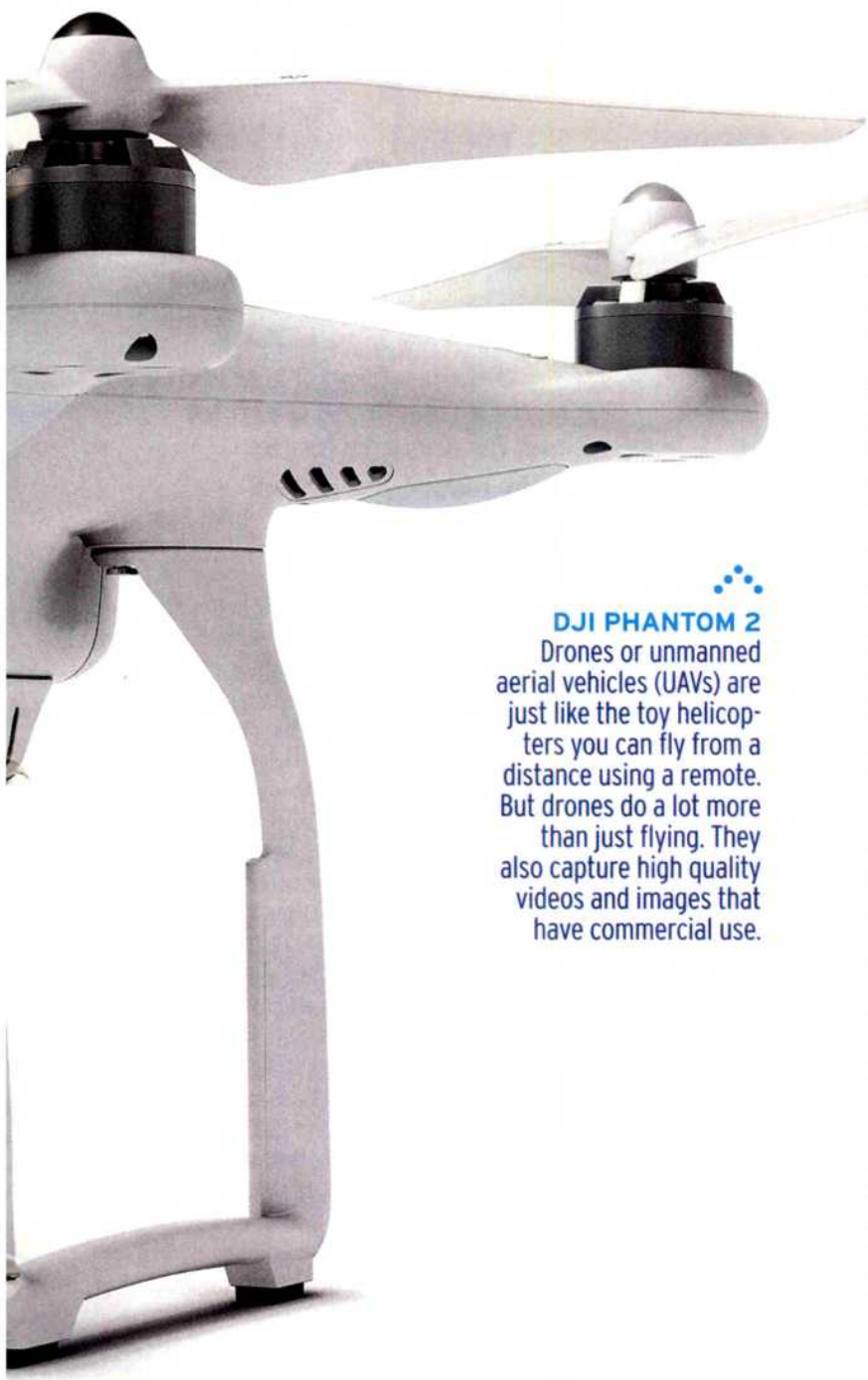
# FLYING OUTLAWS

In July this year, two employees of leading real estate portal Housing.com were arrested by the Mumbai police. They had been spotted operating an Unmanned Aerial Vehicle (UAV), or drone, close to the Bhabha Atomic Research Centre (BARC), triggering fears of an imminent terror attack on this top level institution. The drone, a Phantom manufactured by China-based DJI, costing around ₹80,000, was also confiscated. Questioning of the two employees, however, revealed a far-from-sinister purpose – the portal had been using UAVs for many months to take video footage of select apartments and their surroundings for some of its builder clients, which it uploaded on its site and thereby gave customers a better idea of properties they wished to buy.

The incident highlights the anomaly surrounding UAVs in India – even as they proliferate across the world, the

Unmanned aerial vehicles have immense potential, but their civilian use in India is prohibited.

BY NIDHI SINGAL

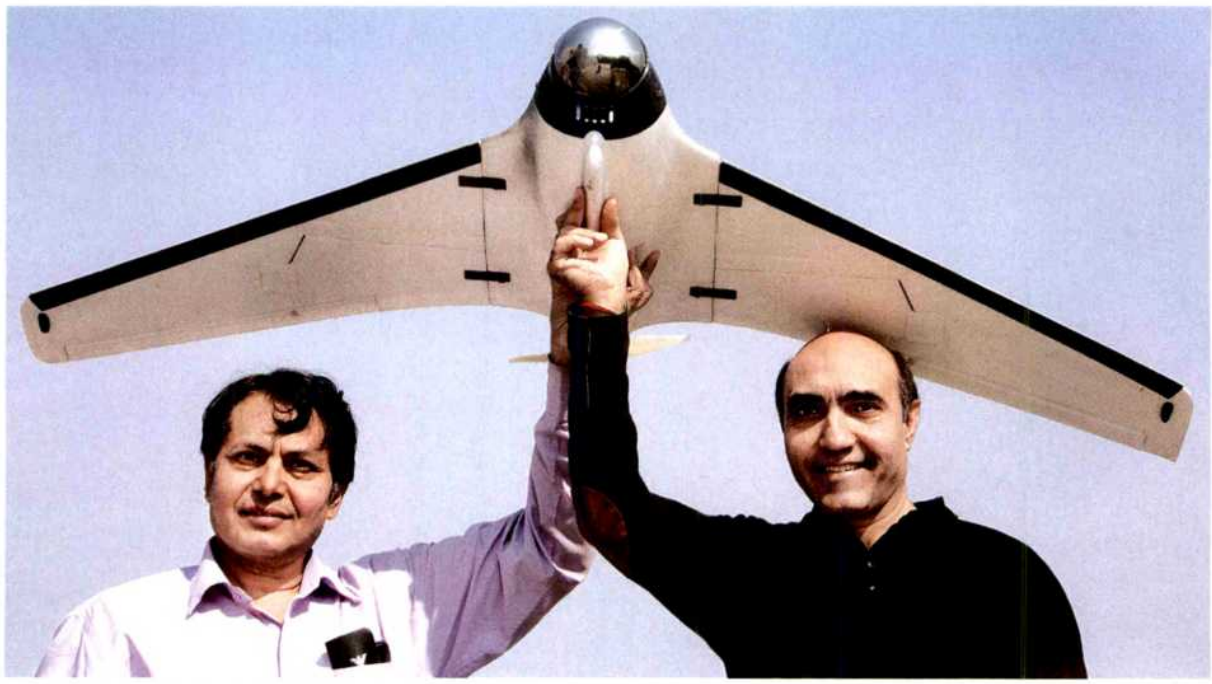


**DJI PHANTOM 2**
Drones or unmanned aerial vehicles (UAVs) are just like the toy helicopters you can fly from a distance using a remote. But drones do a lot more than just flying. They also capture high quality videos and images that have commercial use.

Directorate General of Civil Aviation (DGCA) has no policy or institutional framework in place for them and hence their civilian use is banned. With UAVs being openly sold in India and a number of private companies starting to use them for different purposes, the DGCA issued a public notice in October 2014: "No non government agency, organisation or individual will launch a UAV or UAS (unmanned aerial system) in the Indian civil air space for any purpose whatsoever." Nor is there any ambiguity as to what constitutes Indian civil air space. "It means all other airspace above Indian territory except defence airspace," says a senior DGCA official. Companies using them had to stop operations, while those which did not and got found out, like Housing.com, had to bear the brunt of the law.

## UAVs in India

The regulatory vacuum is odd, considering India was the one of the earliest countries to start using UAVs for military purposes. "India operated its first drone in 1996 when the Army acquired an Israeli 2 Searcher Mark I," says R. Swaminathan of the Observer Research Foundation (ORF) in a February 2015 paper on the subject. "Less than two years later, the Air Force and the Navy followed suit." According to the International Institute of Strategic Studies, India has around 50 drones, the highest number for any country after the US – though given the unregulated nature of the market, it is believed that China and Israel have many



"Since this item falls under Schedule II, a licence is required from the Ministry of Industry to manufacture it. Currently, the licences are being given for manufacturing drones related to applications for security forces."

**(R) ATUL KHOSLA, Director, OM UAV Systems, seen here with Ravinder Singh**

more, which they have not declared.

The Indian government has used drones for numerous purposes, apart from military – to look out for poachers at the Panna Tiger Reserve, for instance; to pinpoint affected areas following the devastating floods in Uttarakhand in 2013 and Jammu and Kashmir in 2014; to hunt for Maoists in the Chhattisgarh forests and more. The Uttar Pradesh government has used them to maintain law and order during processions in Lucknow and the last Allahabad Kumbh Mela in 2013. The Mumbai police employed UAVs to monitor Ganapati processions, Delhi Police to investigate the Trilokpuri riots of November 2014 and Kolkata police to monitor voting during the municipal corporation elections in April this year.

There are also a number of private Indian companies working on both the hardware and the software of UAVs, though they sell exclusively to the government. "The item falls under Schedule II, and thus requires a licence from the Ministry of Industries for its manufacture," says Atul Khosla, Director, OM UAV Systems, a Delhi-based manufacturer. "The licence is given only after approvals from the defence ministry, home ministry and Department of Telecom and restricted to those making drones for the security forces." The company, started by Khosla and his Punjab University batch mate Ravinder Singh in 2013, makes autopilot systems for mini and micro drones to sell mainly to the military for surveillance in the border areas.

Another frontrunner is ideaForge, started by five IIT Bombay alumni, which, working in close tandem with the Defence Research and Development Organisation (DRDO), developed the Netra UAV. Weighing barely 1.5 kg and rising to a height of about 15 metres, it has been used during the Uttarakhand

**$15.22 million**
**Size of global UAV commercial market (military use excluded) in 2014**
(Source: Markets and Markets)

**$8.4 billion**
**Estimated size of global small UAV market in 2019**
(Source: ABI Research)

**170,000**
**Estimated number of drones in commercial use by 2020**

**12 million**
**Estimated number of drones in recreational use by 2020**
(Source: Idate Research)

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"The problem with an unregulated market is that there will be a lot of irresponsible usage and a potential threat to public safety"

**SHINIL SHEKHAR, Co-founde, Airpix**

floods, the tiger census, as well as to track a killer leopard in Uttarakhand. Others to have obtained licences include Dynamatic Technologies, Ashok Leyland, Taneja Aerospace and Aviation, Avaana Software and Services, Basant Aerospace and SasMos HET Tech.

There is also Navi Mumbai-based Airpix, which offers UAV services – aerial photography, aerial surveys, remote sensing and more. Its drones are imported, as indeed are most of those sold in India. "Import of UAVs also requires a licence," says Khosla. "Perhaps they are being brought in as toys or in non-UAV categories." UAVs from global brands such as Silverlit, Flyers Bay, Mikadelo M'Delo, Toyhouse and DJI continue to be available on all the leading e-tailing sites despite the DGCA ban, at prices ranging from ₹1,700 to a few lakh.

In its notice, the DGCA added that it was in the process of formulating the regulations for the certification and use of private drones. But given the ecosystem that has already evolved, it has clearly taken its time to wake up.

**CIVILIAN USE**
A team of Airpix engineers using an unmanned aerial vehicle to monitor the progress of work at a construction site

## Varieties of UAV

UAVs come in a wide range of sizes, from those resembling toy planes – with length and wingspan of just a few centimetres – to the latest variant of the US's Global Hawk, the biggest in the world, stretching 13.5 metres with a wingspan of 35.4 metres. They fly at different heights, depending on their size, range and speed, from the smallest ones which go up to an altitude of 600 metres, to the hypersonic, which rise to over 15,000 metres, and the orbital, which enter the low earth orbit. (Most commercial aircraft travel at a height of 7,500 to 12,000 metres.) Their military use in target bombing, reconnaissance and even combat is well known; their civilian ones less so.

But the latter are innumerable. They can be used for logistics – in the US, Amazon, a pioneer, uses them to send packages, Dominoes to deliver pizzas. They can help in agriculture – in Japan, drones are employed extensively for pesticide and fertiliser spraying, mapping soil conditions and crop growth. They can provide all kinds of surveillance – of transmission lines, oil and gas pipelines and more; help with oil and gas exploration, they can be used for earth mapping and even for detailed visual media coverage. They can even help in healthcare, transporting human organs for transplants at short notice! Technology market research company ABI Research estimates that by 2019, the commercial UAV segment will be 2.3 times that of the military, with revenues exceeding $8.4 billion. Estimates

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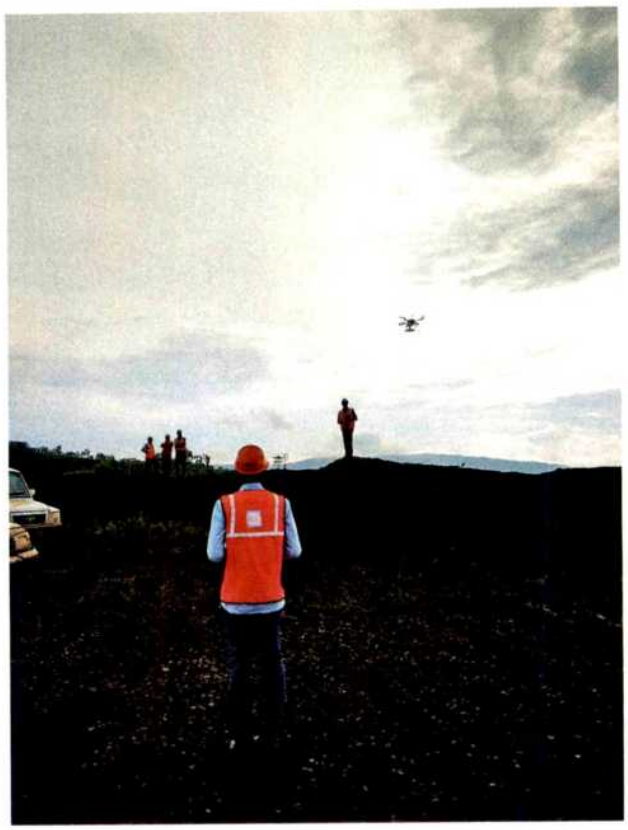
*Zindagi ke saath bhi, Zindagi ke baad bhi.*

of the total global UAV market vary widely, but a 2014 study by the Teal Group, a US defence and aerospace consulting firm pegged it at $5.2 billion.

## Technical Development

Drones may have made global headlines only after the US used them to bomb Taliban dominated areas in Afghanistan and Pakistan, but they are far from being a new idea. The earliest version of the aeronautical gyrocompass, which guides every UAV, was developed in the US in 1910, while the airframe construction for remote piloted vehicles was finalised, again in the US, in the run-up to World War I. The aerial torpedo, developed in the inter-war years; the Messenger, designed by US army engineers, which could be piloted for two hours from the ground and had a range of 145 km; the 'radio plane' invented by Hollywood actor Reginald Denny in the mid-1930s; and the V-1 Flying Bomb, created by the Nazis in 1940, are all important predecessors of the modern day UAV.

Every subsequent major war led to improvements in the quality of UAVs deployed, with the US and Israel, often working together, at the forefront. The 1990s and years thereafter have seen a concerted effort in two directions – to develop material that would keep drones flying for over 24 hours at higher than 15,000 metre altitudes and to pack in more features while miniaturising them. "Both these trajectories were aided in no small measure by the revolution taking place in inter-related fields of electronics, chip design and fabrication, internet protocols and networking, digital data links, mobile communication and aviation design," says Swaminathan in his ORF paper.



**MINING AID**
Drones are being used widely to provide 24x7 aerial surveillance in and around mining zones to protect against illegal extraction of reserves as well as for mine-hunting operations

## Important Issues

While the role of drones in civilian life is bound to increase, the DGCA's hesitation in endorsing them also has some basis. Key questions of safety and security are involved. Air Traffic Control guides manned aircraft – who will guide the unmanned ones and coordinate with the manned to avoid collisions? Mandatory installing of anti-collision software in UAVs is only a first step. Should there be licences for operating UAVs, just as there are for driving manned vehicles? How should misuse of UAVs – for spying, snooping, privacy invasion, etc – be prevented? Should every drone have a registration number, the way all manned vehicles do? There is need for an overall infrastructure for drones, standards for drone manufacturing as there are for other vehicles and numerous other safeguards.

"It's true that since there are no regulations, many things remain undefined," says Shinil Shekhar, co-founder of Airpix. "In an unregulated market, there will be irresponsible usage, with its potential threat to public safety. But banning an entire technology just because no regulations have been framed is also not justified." Khosla, of OM UAV Systems, echoes his view. "It is very easy to invoke fears and ban a product but it is more important to find ways of utilising a new technology for the benefit of mankind," he says. ◆

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TECH TOTS

# I, ROBOT

Services industries are being swarmed by the steel warriors – robots that can do practically everything from serving you food to cleaning a high-pressure pipe in a power plant.

BY NIDHI SINGAL

CALCUTTA UNIVERSITY CENTRAL LIBRARY

This April, Tokyo's Mitsukoshi department store 'employed' a new, special receptionist for a few days. Aiko Chihira was a presentable young woman with fair skin and reddish hair, dressed in a traditional Japanese kimono. She welcomed visitors with a short introduction to the store in Japanese, and also communicated in sign language. She moved and displayed facial expressions like a human would. Umm... 'like' a human?

No, we haven't gone bonkers. You see, Ms Chihira wasn't human. 'She' was actually a robot – an android developed by Toshiba. A pre-programmed script provided the introduction, and a system of 43 motors enabled the facial expressions and body movements. It was quite basic in terms of functionality, but the company has bigger plans. "The android is a prototype that we will continue to develop towards achieving a service robot able to assist people in the fields of welfare and healthcare," says Hitoshi Tokuda, Chief Specialist, Research & Development - Divisional Marketing Strategic Office, Toshiba Corp. "We will also integrate Toshiba's wide-ranging technologies in areas such as sensing, speech synthesis, speech recognition and robotic control to realise a more sophisticated social robot by 2020." Meanwhile, this July, an entire hotel staffed by robots opened in Japan, but more on that later.

Closer home, India is not unfamiliar with service robots, albeit not close to being as glamorous as the Japanese. For instance, underground water tanks are not easy to clean – the entire tank needs to be emptied of water. Gujarat-based Gridbot has developed a robot that enters underground tanks and cleans the water by sucking out all the filth through a pump. In this process, almost no water is wasted. Gridbot also makes robots that can clean AC ducts, inspect huge structures without the need for scaffolding, clean high-pressure water, chemicals or steam pipes in power plants, and so on. A company official BT spoke to says that recently, Gridbot's Amdavad robot helped Tata Power's Mundra plant save ₹2.5 crore a day, when it dislodged a wooden log stuck in a high -pressure pipe.

**AIKO CHIHIRA**
Ms Chihira is a robot dressed in the traditional Japanese kimono. She welcomes visitors with a short introduction to the store in Japanese, and also communicates in sign language. She moves and displays facial expressions as well.

**RO-BOAT**
It is a river cleaning robot with cameras and video analysis capability to detect pollutants like plastic, chemicals and heavy metals in water. It can also suck out water and filter it.

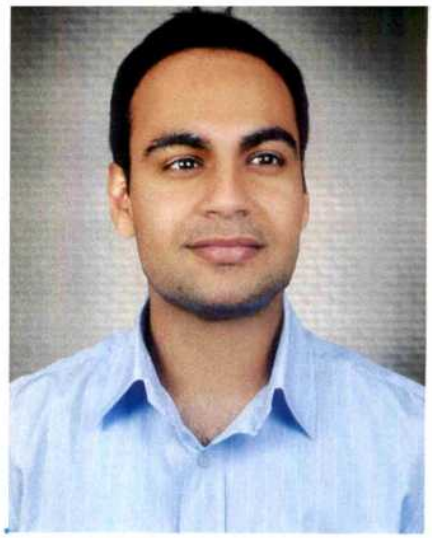
If you thought service is one area where humans would always dominate and robots would have no role, you have another think coming. Robots have moved on from being mere arms in manufacturing plants doing repetitive work to doing jobs that you would normally associate with humans. They can conduct complex surgeries, provide disaster relief, fight wars, dispose of bombs, clean rivers, milk cows, harvest strawberry, take customer queries for mobile phone operators, perform room service in hotels... the list is long, and expanding.

And so is the market. According to the International Federation of Robotics or IFR, about 134,500 new service robots for professional use with a value of $18.9 billion will be installed from 2014 to 2017. Robots for defence applications will account for 54,000 of these, and milking robots, about 28,200 units. Interestingly, IFR says that over a 12-year period till 2008, only about 63,500 service robots for professional use were sold. But the next five years saw sales shooting up to about 100,000. Clearly, demand is rising worldwide.

## The sky is the limit

The possibilities of service robots are practically endless. In India, robots are being used in nuclear reactors, search and rescue operations, trash picking, river cleaning, bomb disposal and much more. Bomb disposal robots, for instance, are being increasingly put to use. These robots can defuse bombs with humans controlling them from a distance. Even if the bomb explodes, no life is lost. One such robot is Daksh, developed by the Defence Research and Development Organization. Daksh is a fully automated, battery operated, remote controlled robot on wheels whose primary role is to handle bombs.

Robo surgeons are being used to conduct surgeries where robots replicate the surgeon's hand movements, while minimising



"Companies such as Flipkart and other ecommerce players are investing heavily in distribution and warehousing. I think the demand for service robotics is going to accelerate dramatically."

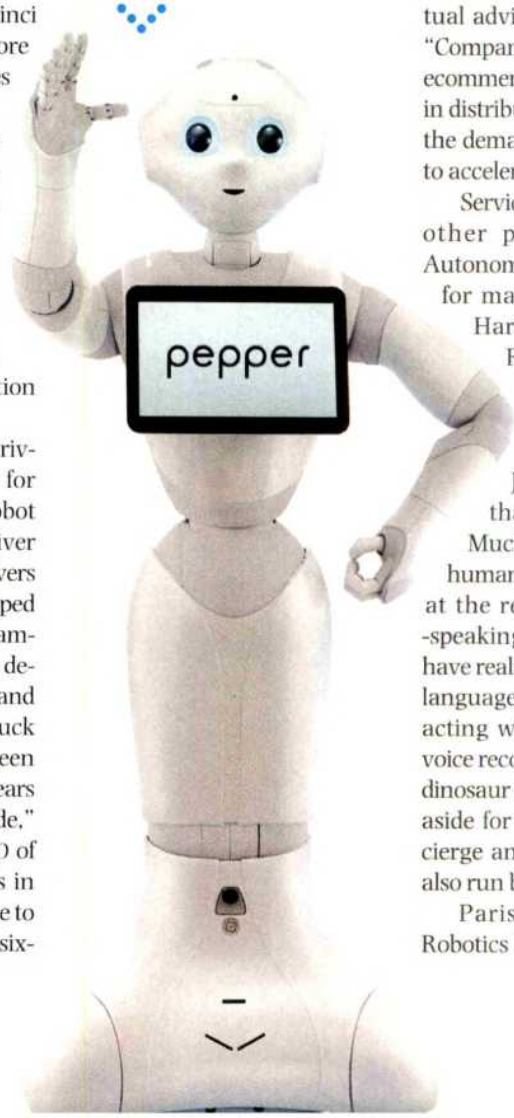
**AFTAB MALHOTRA, Head of Product, GrowthEnabler**

hand tremors. Surgeon thus can operate with enhanced precision, dexterity and control even during the most complex procedures. The first such surgery in India was conducted using the da Vinci surgical robotic system at the All India Institute of Medical Sciences, where A robotic pelvic anterior exenteration surgery was performed on a 50-year-old woman cancer patient. According to the All About Robotic Surgery, the da Vinci surgical system is being used in more than 80 per cent of prostrate surgeries in the US.

Since then, robotic surgery has been implemented at other top hospitals in India, including Apollo and Kokilaben hospital, but in developed markets things have reached the next level. A doctor in Canada, for instance, performed a colon operation using the robot surgeon Zeus, without being present at the operation theatre.

Robots can also be used to clean rivers, a particularly needed feature for India. Delhi-based OmniPresent Robot Tech has designed a Ro-Boat – a river -cleaning robot – that aims to clean rivers such as Yamuna and Ganga. Equipped with GPS and sensors, Ro-Boat has cameras and video analysis capability to detect pollutants like plastic, chemicals and heavy metals in water. It can also suck out water and filter it. "India has been trying to clean rivers for the past 30 years but not much progress has been made," says Aakash Sinha, founder and CEO of Omnipresent. "We have done trials in Yamuna and other rivers, and propose to clean a river in a particular state in a six-month time span. Usually, one robot is deployed for a river area of 1 km. We may need to deploy our drones along with the robots as they will be able to guide the robots in the right direction for cleaning debris and trash."

**PEPPER**
It is a humanoid created for SoftBank Mobile to interact with customers in stores.




"One of the big drivers for me in this space is ecommerce," says Aftab Malhotra, Chief Revenue Officer and Head of Product at Bangalore-based virtual advisory platform GrowthEnabler, "Companies such as Flipkart and other ecommerce players are investing heavily in distribution and warehousing. I think the demand for service robotics is going to accelerate dramatically."

Service robots are also used for many other purposes. In 2014, Sabre Autonomous Solutions used two robots for maintenance duties on Sydney Harbour Bridge. Stockbot of Pal Robotics walks the aisles in shops or warehouses to check inventory at night.

Then, Henn-na Hotel in Japan is the world's first hotel that is fully operated by robots. Much like Ms Chihira, the hotel has humanoid robots developed by Kokoro at the reception that greet Japanese -speaking guests. These female robots have realistic facial movements and body language. The guests check in by interacting with a console and the robot's voice recognition software. There's also a dinosaur receptionist, but we'll leave that aside for now! The room service, concierge and housekeeping functions are also run by robots.

Paris-headquartered Aldebaran Robotics has created NAO, a 58-cm tall

"We have done trials in Yamuna and other rivers, and propose to clean a river in a particular state in a six-month time span."

**AAKASH SINHA, founder and CEO, Omnipresent Robot Tech**

humanoid robot that is used for education. NAO robot is a friendly and intelligent companion who can be programmed to understand your daily needs. Its interactive applications and interface make it a great teaching tool. It has been used in more than 70 countries in computer and science classes in primary schools and universities. The company has also designed Pepper, a humanoid that can communicate with voice, touch and emotions. Pepper was created for SoftBank Mobile, a phone operator in Japan, to interact with customers in stores.

Santa Clara, California-based Savioke, too, has created autonomous robot helpers for the service industry. The company leases Relay, a robotic butler, to hotels where these robots are used for room service. Relay can navigate through the hotel and use the elevator. It can provide room service on its own. It uses a pair of RealSense R200 cameras as its eyes, and also carries depth-sensing sensors.

**RELAY**
It is a robotic butler used for room service. It can navigate through the hotel, use the elevator and provide room service on its own.

In China, robots are replacing chefs and waiters for cooking food and delivering dishes. These robots move around tracks in the hotel and can continue to work for five hours after being charged for two hours. Robot Restaurant in Harbin, China has a staff of 20 robots that cook, serve and even say hello to the guests. Although there is human staff, soon robots will be capable of running all the tasks without human support.

Of course, service robots are equally useful and in demand for personal, household use, too. There are healthcare robots like Care-O-Bot, which can monitor blood pressure and detect whether someone falls down, very useful for elderly folks living alone. There are robots that can vacuum-clean your home, mow your lawns, clean the windows, and serve you food. "There will be a massive demand for branded home robotics such as Roomba or home help or companion robotics in Indian households too," says Malhotra. IFR data project that household robot sales globally would reach 23.9 million units in 2014-17, with an estimated value of $6.5 billion.

As the years go by, do keep an eye out for the friendly robot next door. As for your job, well... ◆

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TECH TOGS

# WHAT THE WORLD IS WEARING

**Wearable devices have proliferated in the last two years, moving from niche to mainstream.**

BY NIDHI SINGAL

A wristband for diabetics whose colour changes as their blood sugar levels rise, reminding them to take their insulin shot; a jacket with a mini-solar panel sewn into its back, enabling users to recharge their devices – these were among the array of futuristic items on display at the second annual exhibition of wearable devices in Berlin in late September this year.

Barely three decades ago, when computers were large and heavy and still occupied fixed locations, who would have imagined a day when most of their features would become clothing accessories? The biggest tech in-

**BLING HELMET**
A smart cycling helmet, it has built-in Hi-Fi Bluetooth speakers and a microphone that allows cyclists to make and answer phone calls without taking their hands off the handlebars. It also features a walkie-talkie function for cycling team members to communicate with one another.

**WATCH 2 PAY**
A smart watch, it enables contactless card payments. It has been approved for payments by MasterCard and includes a MasterCard Paypass card (which looks like a SIM card and is pre-inserted in the watch). Payment can be made by simply holding up the watch in front of any terminal where such cards are accepted.

novations after 2010, when the iPad made the tablet ubiquitous, have all been in the wearable technology segment. The sheer range and variety of tech togs – as they are called – has been staggering: smart bands and smart watches are the most popular, but there are also smart glasses, smart bracelets, smart shoes, smart socks, smart rings and pendants and much more. And experts maintain the technology is still in its nascent stage.

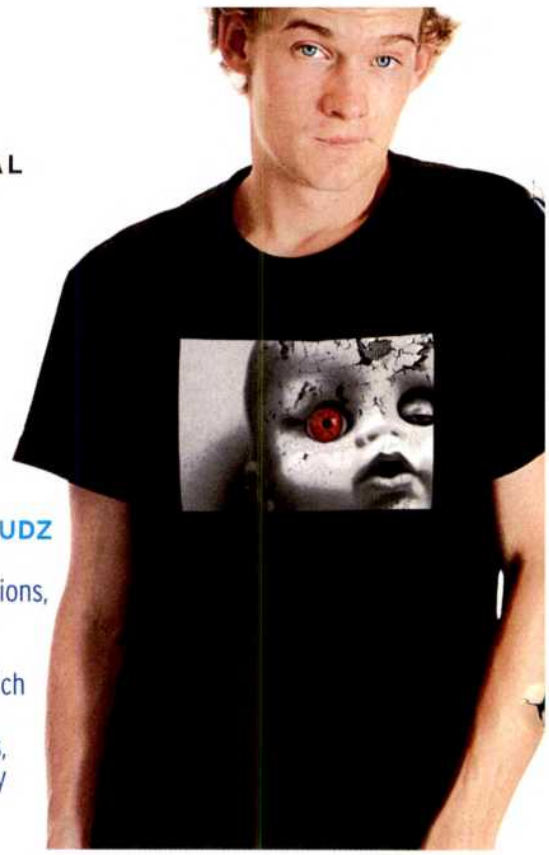
The first attempt at wearable technology, however rudimentary, can perhaps be traced back to the 17th century, when a ring, which also included an abacus, was devised. In the modern era too, the trend began well before the personal computer or the mobile phone, with the watch-cum-calculator invented in the mid-1970s. The affordable Casio model, in particular, developed some years later, became quite the rage even in India, especially among the young. The 1990s saw the advent of Bluetooth, which, among other uses, enabled receiving and answering mobile phones wearing a headset – or with a small device clipped to the ear – provided the phone was somewhere in the vicinity.

In 2007, Sony Ericsson (the joint venture has since been taken over entirely by Sony) designed the MBW-100 Bluetooth watch, which notified the user about incoming calls and messages and network connection status. "Bluetooth headsets were around for a long time before wearables became a buzzword," says Daniel Matte, Wearable Technology Analysis Service, at global tech company Canalys. Since then, smartwatches, adding more and more features as they improved, have proliferated, with Samsung, Sony, Motorola, Pebble and – above

all – Apple, jumping into the fray. Apple Watch and the enhanced Samsung Gear S2, in particular, have made significant design improvements over their predecessors. Apple Watch may not have been launched in India yet, but the Motorola 360 is a good bargain at ₹15,999.

Fitness trackers began a year earlier, in 2006. That was when Nike teamed up with Apple to launch the Nike+iPod sports kit, in which a wireless chip embedded in the shoe recorded the distance covered, calories burnt and more, on the iPod the user carried. Another pioneer in this segment was Fitbit, which launched its eponymous Tracker in 2008, providing similar data, including the time the user spent sleeping. Fitbit has since followed up with numerous upgrades and variations, bearing names like Ultra, Zip, Force, Charge and more, the early clip-on tracker metamorphosing into a band, and adding more features such as heart rate monitoring. Many companies have since followed suit, with China's Xiaomi drastically lowering the price – while most such bands cost over ₹5,000, Xiaomi's Mi Band has been available from May this year for ₹999.

The tipping point for wearable tech, moving it from niche to mainstream, was perhaps the blaze of publicity with which Google Glass arrived in April 2013. Resembling a pair of spectacles, it was anything but. It was a complete wearable computer, with an optical head-mounted display, with control buttons on a touchpad by the side, plus a camera for both still photographs and videos. Ironically, Google Glass suspended production earlier this year, though the company continues work on the prototype. It also recently acquired a patent for a process by which it automatically tightens or loosens the glasses' arms depending on what the wearer is doing. Sony, as well as Japanese printer maker Epson, have also launched similar headgear – the HMZ-T2 and Moverio BT-100, respectively – providing a variety of entertainment, including console gaming.



**MORPH DIGITALDUDZ**
A mask or a costume worn on special occasions, especially Halloween parties, it has a smartphone fitted which can be used to create eerie, clownish effects, such as a continuously rolling eye or beating heart.

**BRAGI THE DASH**
An MP3 player with in-ear headphones, it also tracks fitness and monitors heartbeat.

**SENSORIA FITNESS SOCKS**
These are for runners to monitor their foot-landing technique, with pressure sensors informing them in real time when they are doing it wrong and thereby helping avoid foot injuries. It won an innovation award at the CES 2015.

The Indian contribution to wearable tech has so far been limited. In May 2013, Bangalore based 2mpower Health Management Services, founded by Mohammed Hussain Naseem, launched GetActive, a pedometer which measures the wearer's daily activity and provides a record on a dashboard. In a crowdfunding coup, RHL Vision Technologies founded by Rohildev N., also in Bangalore, raised $200,000 from 1,600 people to launch Fin in March 2014, a thumb ring that turns the palm into a gesture interface. Hyderabad-based Lechal has designed shoes for the visually impaired, which lets them know whenever they depart from a pre-selected route. How these have performed in the market, however, is unclear. Among established companies, S. Mobility Ltd, which makes the Spice brand of mobiles, did launch a dual-SIM smartwatch for ₹4,999 in August 2014, but it does not compare too well with the global biggies.

## Marketing Challenges

The global wearables market stood at 26.4 million shipments in 2014, according to IDC's Worldwide Quarterly Wearable Device Tracker, and is expected to increase to 72.1 million in 2015. Volumes are expected to rise at a compound annual growth rate of 42.6 per cent for five years starting 2015, reaching 155.7 million units in 2019. So far the market has been dominated by fitness bands, of which seven million were shipped in the first three months of 2015, according to Canalys, which estimates its growth at 150 per cent over the corresponding period the previous year. Next come smartwatches, where Canalys expects 20 million Apple Watches alone to be shipped in 2015. In coming years, experts expect many more varieties of wearables, spanning the gamut from security gadgets to gaming devices to payment and education facilitators.

But there are challenges. "To date, consumers have typically failed to see the value of wearables beyond traditional activity trackers," says a report on the subject by market research firm, Gfk. "There is a fairly widespread perception that wearables are gadgets for a geek niche." It also highlights that the multitasking smartphone is the standard against which wearables will be judged. "Whereas smartphones are now a normal part of life for millions of people globally, wearables are yet to achieve this status," it adds.

The limitations of size and weight that wearables face – since those using them have to feel comfortable – also constrain the strength of the batteries they carry. Smartwatches, for instance, have to be charged very frequently, since their batteries have limited capacity and every bit of activity – every notification of a text, call or email – causes a vibration which drains them. Again, for many, the display is too small for comfort and hard to read by daylight.

With fitness bands, the

**AURORA HEADBAND**

Worn before going to bed, it facilitates lucid dreaming.

**CARDBOARD**

A Google product, it has a cardboard frame with two special lenses, magnets and a base on which to rest a smartphone. Mounted on the head, it covers the eyes and enables the user to enter the world of virtual reality.

**ICEID TAG**

It can be attached to any part of the clothing and includes a link to the wearer's medical history. In a medical emergency, such details can make all the difference.

"The challenge is to provide an integrated healthcare solution, an ecosystem to keep the users engaged as people do invest in fitness bands and drop off after sometime."

**VISHAL GONDAL, founder and CEO of Goqii**

"Glass has a great future as one can carry out all kinds of minute activity on it without having to look elsewhere. It has not been perfected yet but Google Glass is the future."

**AKHILESH TUTEJA, Partner & Head, IT Advisory Services, KPMG in India**

problem is often a flagging of user interest. "The challenge is to keep users engaged," says Vishal Gondal, founder and CEO of California-based Goqii, a personalised fitness coaching service. "People do invest in fitness bands but drop off after some time. It is not hardware alone that will drive growth. We also need to provide integrated

healthcare solutions." Goqii, as well as others like Fitbit, is trying to do just that by tying up with corporate houses and holding sessions on office premises to increase employees' awareness of health issues.

## Future Growth

The use of wearables to monitor health and fitness, especially that of the ill and the aged, can only increase. In the case of a fall or an accident or a sudden deterioration of health, a wearable – by triggering an early alarm and thereby bringing in quick assistance – can make all the difference. Entire businesses, such as insurance companies, could also use wearables to track health data and thereby provide better customised plans. "The early use cases focused largely on fitness, but now there are many pilot implementations relating to healthcare taking place, mostly in the US," says Kenneth Liew, Senior Research Manager, Client Devices, IDC Asia Pacific.

**JUNE**
A smart bracelet, it monitors sun exposure and tells the user when to apply sunscreen.

A refurbished Google Glass, along with other competitors, is expected to hit the market in 2019. These are likely to be used for military and security purposes too, offering instant access to relevant information and better collaboration between stakeholders. "Currently, wearables are targeted only at individual consumers, but at some stage they will have industrial or B2B uses," says Akhilesh Tuteja, Partner & Head, IT Advisory Services, KPMG in India. "Glass has a great future as one can carry out all kinds of minute activity on it without having to look elsewhere. Doctors performing surgeries, technicians assembling or maintaining complicated machinery, as well as others can use it. It has not been perfected yet but Google Glass is the future."

Liew of IDC believes the next wave of wearables usage could also be in making and tracking payments. Customised wearables, woven into shirts, trousers, hats and even inner wear for specific purposes, could also follow.

And the next big leap? It could well be smart implants, primarily for specific health purposes, where the user would not even have to go to the trouble of putting them on or removing them. ◆

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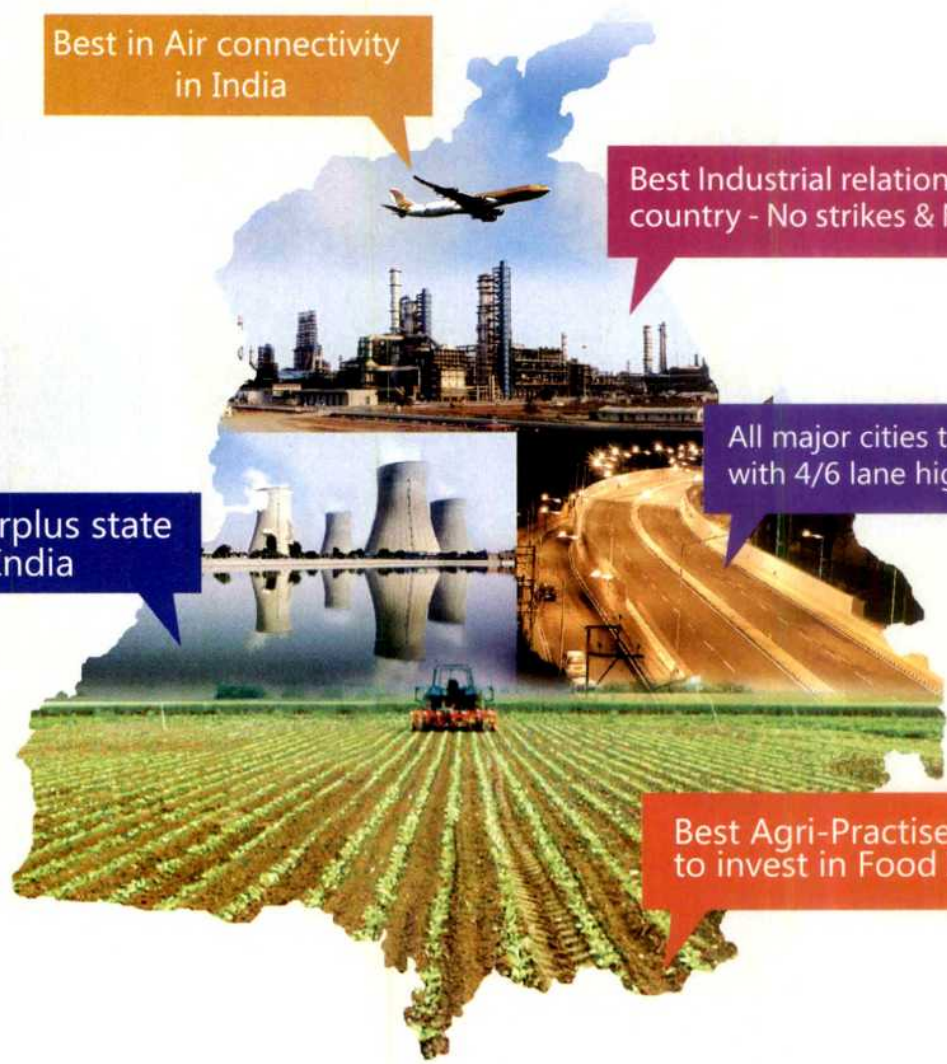


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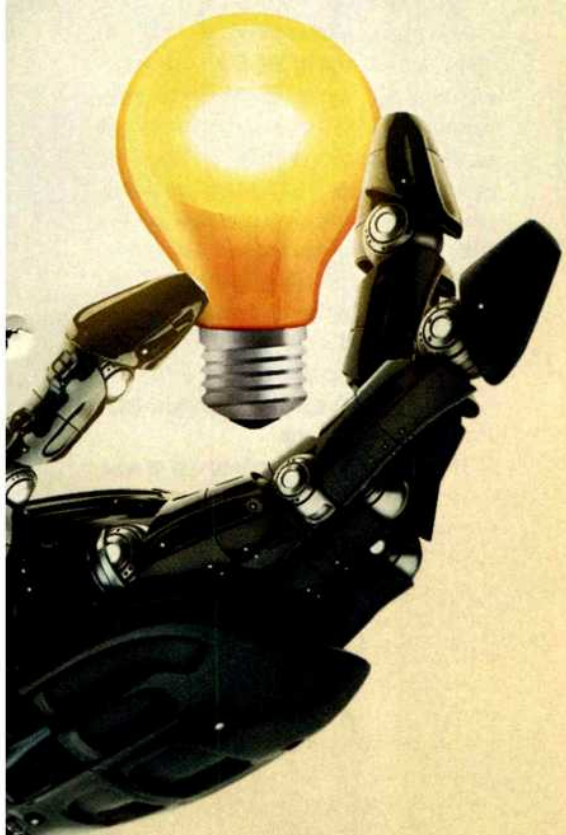
AJAY THAKURI

TECH TOYS

# MATTER OVER MIND

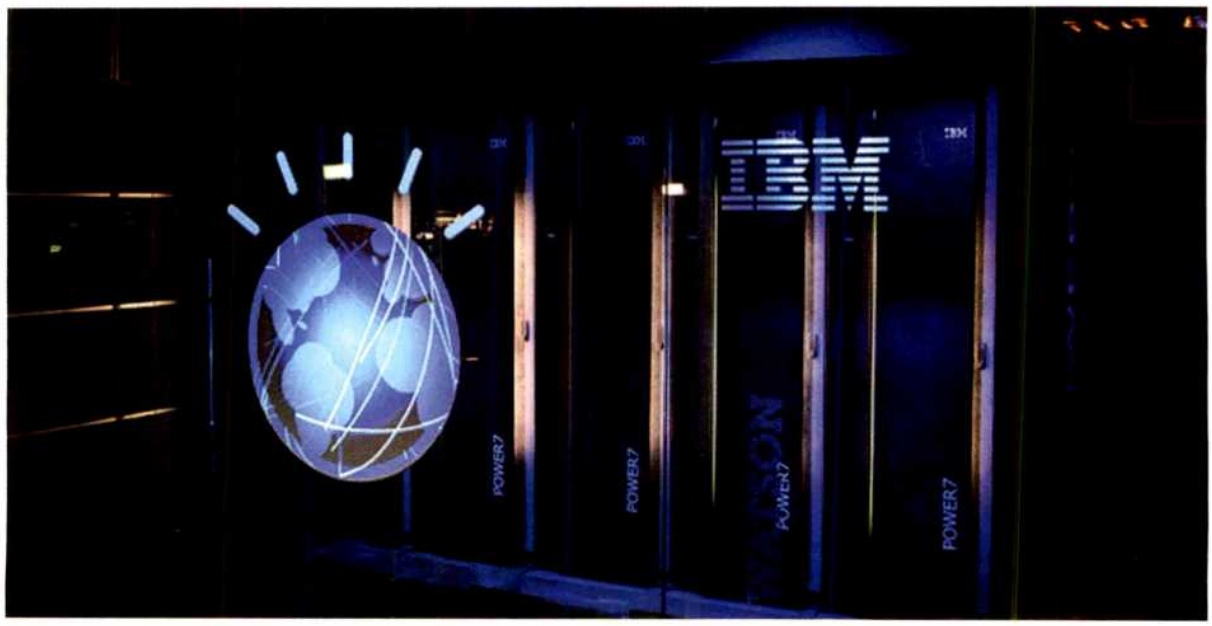
## Artificial Intelligence is taking computers to the frontier of human thought – and helping drive solutions and growth in multiple industries.

BY NIDHI SINGAL



It is May, 1997. "At one game each and three draws into today's final match, in which Deep Blue has the advantage of making the first move, the future of humanity is on the line...," a CBS News anchor intones dramatically. You would be forgiven for thinking we're talking about a sci-fi movie, in which strange, blue-hued alien scum are about to enslave or, worse, obliterate humans. But for chess aficionados, the phrase 'Deep Blue' has an unmistakable recall – of the defeat of the seemingly invincible and then undisputed world chess champion Garry Kasparov of Russia by IBM's supercomputer named... you guessed it, Deep Blue. The iconic picture of Kasparov with his head held in his hands in defeat said it all. Post-match allegations of cheating by the great grandmaster could not alter the new reality: a machine could actually 'outthink' a human, in even as analytical a game as chess.

While Deep Blue was just a chess machine and did not have any application in industry, IBM's current 'thinking' computer, the Watson, has evolved to straddle both worlds quite comfortably. In its gaming avatar, in 2011, Watson defeated Ken Jennings and Brad Rutter, champions of Jeopardy!, an extremely difficult reverse quiz game in which contestants are required to frame questions from answers based on the peculiarities of language, including puns. That success was followed by Watson venturing into real application territory. Today,




Watson has applications in over 20 industries, including molecular biology, cancer care, strategy advisory, research and development, student assistance, social media – it can 'look' into the psychology of Twitter – even cooking, in 24 countries. IBM has tied up with 50,000-plus developers and more than 4,000 partners for active projects. The supercomputer heavily uses Big Data and the Cloud for its work, but most importantly, it actually has the ability to learn – from the environment, from human behaviour and reactions.

The technology that underlines these feats is called artificial intelligence or AI – IBM calls its version cognitive computing – and as Watson demonstrates, it goes much beyond playing games. "The defining problem of our age is to create solutions to some of the most pressing problems of the world leveraging cognitive computing technologies, harnessing deep learning, harnessing the computing power and even dedicated hardware being created for cognitive computing," says Nanda Kambhatla, IBM Distinguished Engineer, Cognitive Solutions & Services India/South Asia. "Today, more and more developers, start-ups, enterprises and individuals are embracing a plethora of applications imbibing different aspects of cognitive computing."

### IBM WATSON

IBM's 'thinking' computer, the Watson, has evolved to straddle both gaming and industry applications quite comfortably. It has applications in over 20 industries, including molecular biology, cancer care, strategy advisory, research and development, student assistance, and social media.

The AI is an area of computer science that emphasises on the creation of intelligent, smart machines that can work and react like humans. In other words, machines that can react to their environments by churning and analysing huge amounts of data, interpreting them and, using self learning algorithms, take decisions the way humans do. So far, the big difference between intelligent machines and humans has been of general intelligence. But that gap, too, is narrowing with computers actually being developed to recognise emotions on human faces and react accordingly.

Today, AI has been put to use in various industries. Starting with controlling automated processes of manufacturing plants such as automobile factories, AI now contributes big time towards robotics, healthcare, automation and financial services, among many others. US-based market intelligence firm Tractica has pegged that the AI market for enterprise will increase from $202.5 million in 2015 to $11.1 billion in value by 2024.

"Tailored music recommendations, voice recognition, email spam filtering, web search predictions, Google

Translate, Facebook Newsfeed, self-driven cars are all examples of artificial intelligence," says Akhilesh Tuteja, Partner and Head, IT Advisory Services, KPMG in India. "As technology evolves and the use of AI increases, the society at large will benefit greatly from this technology especially in terms of efficiency." Adds Hemant Joshi, Partner, Deloitte Haskins & Sells LLP: "AI is in its nascent stage and there is a huge requirement of funding in R&D. Predictive and advanced analytics will play a major role in the future of AI. Military applications will get funding and priority from the government, but other areas will increasingly have AI proliferation."

## The Long Arm of the Machine

Consider this: The implant in your body detects something wrong in your blood sugar level and suggests you go for a health check-up. Your smartphone automatically checks your schedule and books an appointment with the doctor. An hour before the appointment, sensing the traffic on the roads, your phone reminds you about the check-up, and your driverless car arrives at the driveway to take you to the clinic. The humanoid sitting at the clinic's reception greets you with a smile, scans your retina and directs you to the doctor. As you enter the cabin, all your reports (including the results measured by the implant) pop up on your doctor's console. Even as the doctor speaks, the examination results are uploaded to your smartphone through the cloud in parallel. With the prescription, too, uploaded on your smartphone, this smart device in tandem with your implant reminds you every time you forget to take your medicine.

Too far-fetched, you think? Nah. Think again. Much of this is already happening – voice search, driverless cars, retina scans, Big Data residing in the cloud, even humanoid receptionists have started sprouting. And AI has a big role to play in all of this. Started in the 1950s as a futuristic science discipline, AI is today being used by major tech companies at the application level to do previously unimaginable tasks. The IT industry's biggest names, including Apple, Google, Facebook and Microsoft, have all invested heavily in research of AI.

**VOICE ASSISTANT**

Apple's Siri, Google Now and Microsoft Cortana are popular voice assistants on smart devices.

**DRIVERLESS CARS**

Google, BMW, Renault, Toyota, Mercedes-Benz, Nissan and other auto industry majors are working on such prototypes.

From Google Search to Google Now to Google Glass and the driverless car project, everything uses AI. Recent news report hinted that Apple is planning to hire 86 artificial intelligence experts. Facebook has three AI labs focused on understanding the meaning of what people share. A piece of AI from Microsoft's stable is Cortana, an intelligent digital personal assistant that comes with the company's Windows operating system across devices such as PCs and smartphones. Recently, Microsoft tied up with China's local search engine Baidu, making it the default page for its browser in China, instead of its own Bing. This tie-up might help Microsoft with its AI research as Baidu has recently entered into the AI space by creating a supercomputer that aims to use software to understand humans better.

In transportation, Google is perhaps the most recognised name for developing a driverless car, but there are several other car companies in the fray as well, including Nissan, Mercedes-Benz, Renault, BMW, and others. Recently, Toyota too announced a plan to invest $50 million over the next five years to develop artificial intelligence for driverless cars. Such cars, also called autonomous cars, can traipse through traffic signals, intersections and oncoming traffic, thanks to an array of maps, cameras and radars. And, of course, a central, 'intelligent' computer network that manages the vast amounts of data and takes decisions that move the car.

Another well-known area that AI is used is the healthcare sector, where it helps in diagnostic, medical examination, operation and treatment of diseases. Researchers at Canada's Western

REUTERS

University are hoping that AI can help treat breast cancer patients. AI was used as a tool to predict drug outcomes based on the personal genetic analysis of patients' tumours, because patients with the same type of cancer can respond differently to the same medication. Detection and prevention of life threatening diseases and smart personal assistants for differently-abled people are the future applications for medical science. Aipoly, which is currently in beta testing, is a smartphone app created by Marita Cheng, Alberto Rizzoli, and Mark Parncutt at Singularity University and will work as an intelligent assistant for the visually impaired by reading out aloud – using speech-to-text technology – and provide real-time descriptions of images captured.

Finance, ecommerce and customer relationship are some other fields that are riding on AI. Financial decisions about money investments that were earlier taken by humans will be taken by machines. Sometime ago, wealth management firm Charles Schwab launched a new service called Schwab Intelligent Portfolios, which does the same. AI is eliminating middlemen for buying, selling or trading stocks. Machines are being used to monitor events and stock and bond price trends against the user's financial goals and personal portfolio. Robo advisors – from companies such as Betterment, Wealthfront, and Vanguard are becoming popular as they provide algorithm-based wealth management advice.

**DEEP BLUE**
The defeat of the seemingly invincible and then undisputed world chess champion Garry Kasparov of Russia by IBM's supercomputer was a turning point.

Customer service is another area where AI will be put to use to deliver a better caller experience and reduce operational costs. For example, Wipro is implementing an AI-driven customer helpdesk management solution called HOLMES, for Nexenta, a global Open Source-driven Software-Defined Storage (OpenSDS) firm. HOLMES has been developed after four years of research and is built on an open-source technology. Used to automate industry specific business processes, it leverages semantics, machine learning, pattern recognition and knowledge modeling technologies.

IBM's Kambhatla says cognitive computing-driven applications have a core learning component. "They get better over time through interactions with humans; they learn how to respond better or solve problems." Now, that is a double-edged sword. Eminent physicist Stephen Hawking has warned of the dangers of artificial intelligence, saying "development of full artificial intelligence could spell the end of the human race". Many others have expressed similar views, including AI evangelists like Elon Musk of Tesla Motors, who called AI humanity's "biggest existential threat". A conference of AI specialists with economists, and experts in law and ethics reportedly predicted that machines would reach full human ability by 2050. That's not necessarily a very comforting thought.

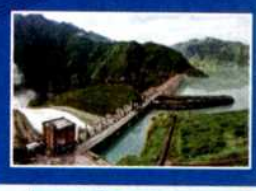
"The future of humanity is on the line...," you can almost hear the echo of the news anchor's voice. But that is another story. ◆

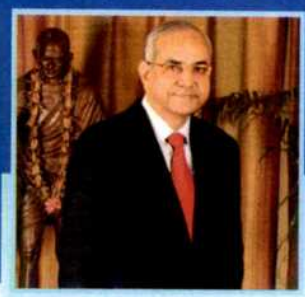
*@nidhisingal*

# Empowering the nation's progress...

## Chairman's Statement in the 39th Annual General Meeting

September 18, 2015





**Shri A.K. Jha**
Chairman & Managing Director, NTPC

*"Your Company has gone from strength to greater strength and has become a globally acknowledged brand in the power sector. This has been possible due to the commitment, dedication, competence and creativity of the members of Team NTPC who demonstrate tremendous organizational pride."*

***Dear fellow Shareholders,***

I feel great pleasure in extending a very warm welcome to all of you on behalf of the Board of Directors to the 39th Annual General Meeting of your Company.

### Indian Economy on an upswing despite global downswing:

In the July 2015 update of its World Economic Outlook, the IMF has revised down its global GDP growth forecast for 2015 by 0.2% points to 3.3%, which is lower than the 3.4% growth in 2014. However, IMF and the global economic community are looking at India as a positive story which has the potential of supporting the turnaround of the global economy. IMF has stated that **"India is a bright spot among one of the few in the global economy".**

Indian economy has strong fundamentals and is driven primarily by domestic demand. Infusion of new direction and energy through programmes like ***'Make in India', 'Digital India'*** and expediting of critical infrastructure projects through ***'PRAGATI'*** and many such measures augur well for the growth of Indian economy.

### Power sector performance reaches higher trajectory:

The power sector has also shown a new vibrancy along the value chain in contributing to the economy through higher generation output and other performance indicators. In line with the new Government's upgraded mission of providing ***'24X7 power for all'*** by 2019, the performance of the sector has shown an upswing.

**During FY15, the country has witnessed:**

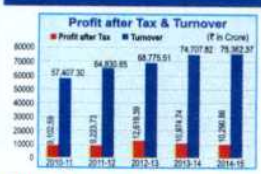
- Highest ever power generation growth rate in the last two decades at 8.4%. Coal based power stations recorded an annual growth rate of 12.1%.
- Highest ever capacity addition of 22,566 MW, against the target of 17,830 MW. Contribution of thermal sector was 92% of the total capacity addition.
- Lowest ever energy deficit @ 3.6%.
- Per capita power consumption crossing the 1000 units level.

**NTPC is committed to add 10000 MW of Solar Power by 2019**

### Ministry of Power & MNRE have envisioned to achieve:

- 50% increase in power generation supported by the enhanced Coal production target of 1 billion tonper annum by 2020, set up by Ministry of Coal.
- More than fivefold increase in renewable capacity, achieving 1,75,000 MW by 2022. This is the world's largest renewable capacity expansion programme.

The new approach in the sector translates into greater opportunities of growth for your Company. Your company is fully prepared to utilize these opportunities for accelerated growth.




### NTPC's robust performance:

Major highlights of your Company performance during FY15 include :

- Generation of ~25% electricity in the country by NTPC group, over 16% share in the national capacity, underlining high productivity.
- Highest PLF in the country at 80.23% against an all India average PLF of 64.46%; State sector's 59.83%, Private sector's 60.58% and other Central sector companies' PLF of 73.96%.
- Highest ever capex of Rs. 23,239 crore, exceeding the target of Rs. 22,400 crore.
- Commencement of hydro power generation, with commissioning of 2 units of 200 MW at Koldam hydro project in March 2015. (the remaining 2 units were commissioned in April 2015).
- Recorded total income of Rs. 75,362.37 crore with net Profit after Tax (PAT) of Rs. 10,290.86 crore.
- Rewarding shareholders by issue of a non-convertible, secured, redeemable bonus debenture of face value of Rs. 12.50 each for each equity share of Rs. 10, aggregating to Rs. 10,307 crore - the largest by any Indian company.
- Dividend of Rs. 2.50 per share (total Rs. 2,061.38 crore) comprising interim dividend of Rs. 0.75 per equity share paid in February 2015 and recommendation of final dividend of Rs. 1.75 per equity share for the year 2014-15
- Achieved 100% realization of its current bills for twelfth consecutive year.
- Reallocation of the coal blocks which were de-allocated earlier.
- Excellent MOU rating by the Government of India for FY14 and poised to retain 'Excellent' MoU rating for FY15 also.
- Ranked as # 1 Independent Power Producer in the world in the 2014 rankings brought out by Platts, a part of the prestigious McGraw Hill group.

### Strengthening its position as the market leader:

Your Company has crossed the 45,000 MW capacity mark and its present installed capacity is 45,548 MW.

Your Company has made the single largest thermal capacity addition (8,445 MW) in the country during the 12th Plan so far and is well on course to achieve its Plan target.

**During current year your Company commissioned** some units which deserve special mention. These include the first unit of 250 MW at Bongaigaon, heralding your Company's presence in the North Eastern region. Your Company declared commercial operation of 800MW of hydel capacity in Koldam in July'2015, marking its impressive debut in hydro space. With the commissioning of 13th unit of 500 MW at Vindhyachal (Madhya Pradesh),

your Company has in its fold, the largest power station in India with 4,760 MW capacity.

Your Company has over 23,000 MW capacity under construction and nearly 9,500 MW capacity is under bidding.

Your Company is going ahead to set up 4000 MW capacity at Andhra Pradesh and another 4000 MW capacity at new state of Telangana.

### Ensuring fuel security:

With the re-allocation of mines, your Company's mines have estimated reserves of 5.2 billion tons. Recently, the Government of India has decided

to allocate another coal block, 'Mandakini-B', with estimated reserves of 1.2 billion tons.

Your Company entered into a Coal swapping agreement with GSECL for imported coal of Sipat with domestic coal of GSECL. This has resulted in savings of Rs. 160 crore each for both utilities. Rationalization of coal linkage with CIL has also resulted in further reduction of generation cost.

### Enjoying strong investor confidence:

Your Company has been able to raise large amount of debt from international and domestic markets at very competitive rates. Further, NTPC has upsized its MTN program from USD 2 billion to USD 4 billion.

NTPC Limited
(A Government of India Enterprise)
**Regd. Office:** NTPC Bhawan, SCOPE Complex, 7, Institutional Area, Lodhi Road, New Delhi-110003.
(CIN: L40101DL1975GOI007966) **Website : www.ntpc.co.in**
Leading the Power Sector

NTPC's tax free bond for Rs. 300 crore in August 2015 was oversubscribed by 7.25 times.

**NTPC issued largest ever Bonus Debentures of ₹ 10307 crore**

### Leveraging technology for sustainable power generation:

Your Company has adopted super

critical technology which is far more efficient and clean compared to the sub critical units. Out of the total 21,935 MW coal based capacity under construction, 90% is based upon super critical or ultra supercritical technology.

Through its R&D arm NETRA, your Company is engaged in promoting energy relevant research and development with a view to promote efficiency, improve plant availability, reduce cost and look for innovative and futuristic energy solutions. Initiatives have been taken to invest in a wide range of R&D activities and climate change studies.

Your Company is aware that water is an immensely precious resource and should be used with utmost economy and efficiency. Your Company is the first in India to go for Air Cooled Condenser (ACC) technology for its 1980 MW (3X660 MW) ultra super critical, North Karanpura Project, in place of the Water Cooled Condensers (WCC).

### Focus on Renewables:

In line with your Company's approach of increasing the share of non-fossil energy in the long run and reducing carbon foot prints, there is a new thrust on developing renewable power, with special focus on Solar power generation.

110 MW Solar capacity has already been made operational by your Company at 8 locations across the country. Solar

capacity of 250 MW is under construction in Andhra Pradesh and 1260 MW is under bidding.

### Expanding social outreach:

While focusing on its power developments efforts, your Company has been engaged in promoting specific activities to help beneficiary groups like the differently-abled, women, girls, the underprivileged and those seeking self employment opportunities in order to come out of the trap of poverty and insecurity.

Your Company has been engaged in community development activities, including infrastructure development, providing civic amenities, healthcare support and skill development.

Your Company is also contributing to national endeavours in the area of social responsibility. Under the *'Swachh Vidyalaya Abhiyaan'*, a component of *'Swachh Bharat Mission'*, launched by Hon'ble Prime Minister, your Company has completed the herculean task of building more than 24,000 toilets in schools in far flung areas within a short span of time, and has achieved the targets assigned to it under the national mission.

Your Company will help develop a large number of multi-skill centers and provide vocational training to ~30,000 youth to help them become employable. A multi skill centre has already been started at NTPC Talcher Kaniha, to impart vocational skills in the areas of retail, IT, IT enabled services and telecom with focus on employability.

### Proactive Corporate Governance:

Your Company has a robust corporate image which is an outcome of outstanding accomplishments which have been achieved through fair and transparent means. Openness and accountability are fundamental to the structures and processes of your Company.

### 'Team NTPC': Pride of the Nation

Your Company has gone from strength to greater strength and has become a globally acknowledged brand in the power sector. This has been possible due to the commitment, dedication, competence and creativity of the members of Team NTPC who demonstrate tremendous organizational pride.

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I take this opportunity to place on record my sincere thanks to the Government of India, especially the Ministry of Power, the State Governments, our valued customers, all the authorities and agencies who provide unstinted support to your Company. I convey my appreciation and thankfulness to my colleagues on the Board for their invaluable contribution in strengthening the Company. I express my thankfulness to the investors for their sustained support to the Company.

On behalf of over 24,000 competent and committed members of 'Team NTPC', I assure you of our total dedication and tireless efforts in fulfilling your expectations.

Thank you,

New Delhi
September 18, 2015

(A.K. Jha)
Chairman & Managing Director

*(This does not purport to be a record of the proceedings of the Annual General Meeting)*

# BUSINESS FRIENDLY, WELFARE
# ranks highest as investment

Seated on dais with **Selvi J Jayalalithaa**, Hon'ble Chief Minister, Tamil Nadu; left to right: **Mr. Rana Kapoor**, Presider ASSOCHAM and MD & CEO, YES BANK ; **Mr. C V Sankar**, Addl. Chief Secretary, Industries Dept., Govt. of Tamil Nad **Mr. P Thangamani**, Hon'ble Minister for Industries, Govt. of Tamil Nadu; **Smt. Nirmala Sitharaman**, Union Minist of State for Commerce and Industry, and **Shri Pon Radhakrishnan**, Union Minister of State for Road Transport, Highways & Shipping

**Selvi J. Jayalalithaa**
Hon'ble Chief Minister
of Tamil Nadu

"Our government is committed to establish Tamil Nadu as a new growth model in India. Tamil Nadu was among the very first states to capitalize on economic liberalization and is today widely regarded as one of the most advanced and competitive states in the country. We have set higher goals to ensure people in this state have access to infrastructure, at par with rest of the world. In Tamil Nadu, we have managed to be both business friendly as well as welfare oriented. We have taken several measures to improve the investment climate in the state, including MoUs , single window clearance and designing the TNIPP, through which we have aligned the state government's policies with investor expectations. Now is the best time to invest in Tamil Nadu."

**Smt. Nirmala Sitharaman**
Hon'ble Union Minister of State
for Commerce & Industries

"I congratulate the state of Tamil Nadu for creating an environment highly conducive for business. Tamil Nadu stands apart from others in being very progressive and proactive. While other states are beginning to talk about tax simplification and single window clearance, Tamil Nadu has already shown the way. The investors' response, as is clearly evident at this meet, validates Tamil Nadu's positioning as an investment destination of choice. As India as a nation chooses to apply thrust on manufacturing, Tamil Nadu is best positioned to lead this initiative."

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## Tamil Nadu Global Investors Meet September 9-10, 2015, Chennai

### Key Highlights:

5000+ delegates. More than 1000 foreign delegates and 8 partner countries

Investments to the tune of over ₹ 1 lakh crore, over 100 MoUs signed

Chief Minister formally inaugurates projects worth ₹ 2,568 crore

Sectors targeted include automobile, manufacturing, telecom, electronics, pharmaceuticals and renewable energy

USD 250 bn to be invested for infrastructure development by 2023, already 217 high priority projects identified

Industries set up in the southern districts will be eligible for a special package, higher than the package available for the rest of the State

- More than 1,50,000 jobs expected to be generated over the next 3 years
- Tamil Nadu's success story is corroborated by the **'Study on States' Emergence** published by the ASSOCHAM Economic Research Bureau in March 2015, where it **ranks among the best performing states** in eight out of 9 parameters like power, roads, health
- ASSOCHAM to set up Tamil Nadu Development Council – a local chapter of ASSOCHAM to partner with the execution of the planned investments

**Mr. Rana Kapoor**
President, ASSOCHAM
MD & CEO, YES BANK

"The success of the Global Investors Meet reinforces Tamil Nadu's pre-eminence as a preferred Investment destination in the country. The over 100 MoUs signed and the confidence and conviction that I observed while interacting with the Domestic and International participants at the GIM, is a clear demonstration of a highly progressive model of growth which is backed by the finest economic governance coupled with political governance under the Hon'ble Chief Minister Selvi J. Jayalalithaa's excellent leadership."

### Key Enablers

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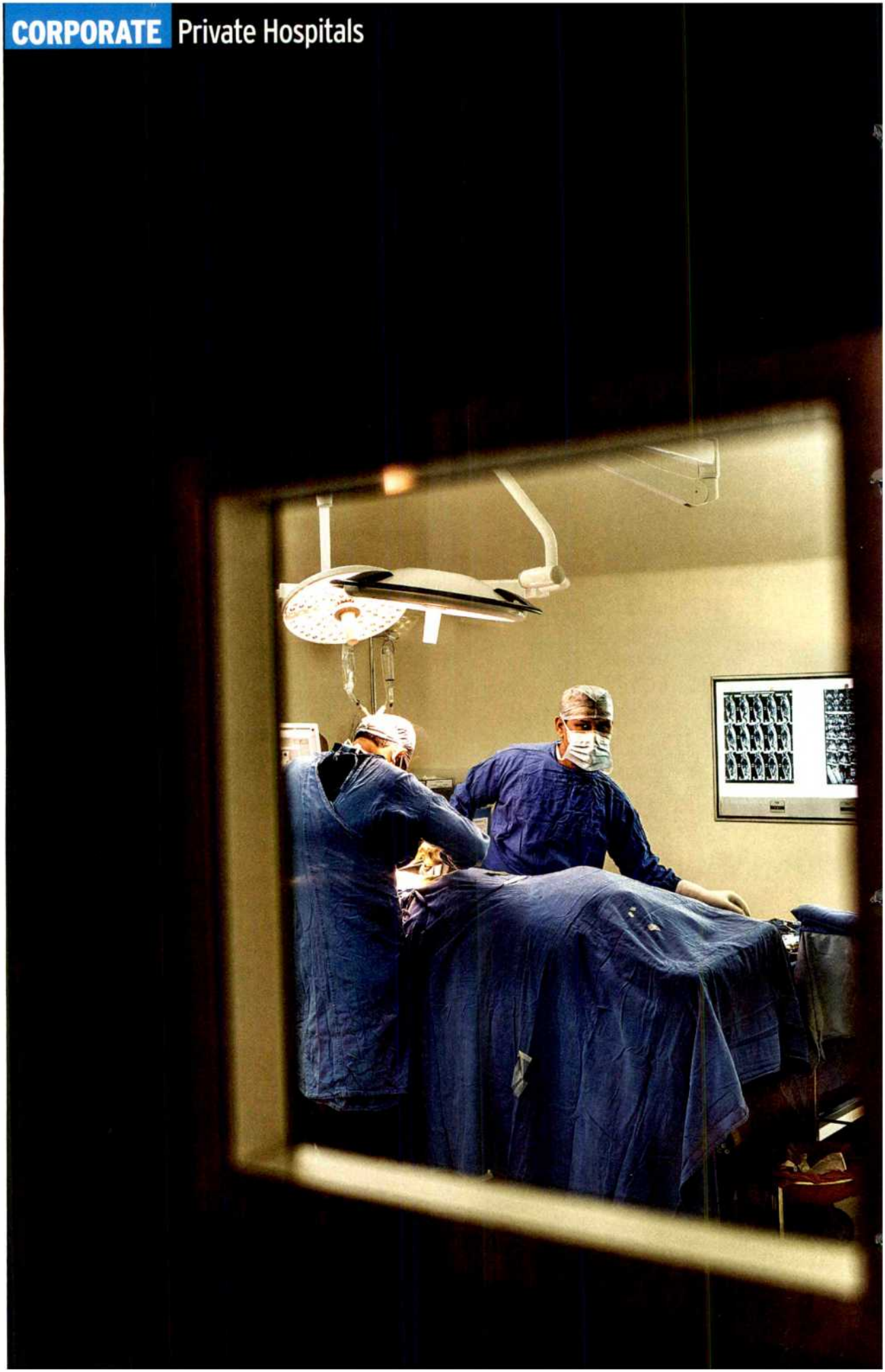

VIVAN MEHRA

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# PROFITS IN SMALL DOSES

## THE HYPE ABOUT GROWTH IN SMALLER TOWNS IS OVER. HOSPITALS ARE NOW TAKING A MORE CALIBRATED APPROACH TO EXPANSION OUTSIDE THE COUNTRY'S TOP CITIES

By P.B. JAYAKUMAR and T. KUMAR SHARMA

Vaatsalya Healthcare, headed by Dr. Ashwin Naik, was among the first hospital chains to look at Tier-II and Tier-III cities for expansion. In 2007, it studied markets across Karnataka and Andhra Pradesh. The results were encouraging. So, it decided to position itself as a regional player. Within five years, it was running 17 facilities in these two states and thinking about replicating this success in other smaller cities by opening 50 hospitals and becoming a pan-India chain. "Between 2008 and 2012, the hype was significant, and everybody was talking about Tier-II and Tier-III cities," says Dr. Naik.

Others, too, were targeting the same cities and towns. In 2012, Apollo Hospitals was planning to invest ₹642 crore to build a network of no-frills hospitals with 1,250 beds under its "Reach" brand in Tier-II towns, including Patna, where it still intends to have a footprint.

However, reality hit Vaatsalya after many of its hospitals failed to generate profits. It now runs just nine hospitals: In Hubli, Gadag, Hassan, Mysore, Shimoga, Tarikere, Chikmagalur and Pandavapura in Karna-taka, besides the one in Narasannapeta in Andhra Pradesh.

"That hype has come down quite a bit. In Karnataka, people now talk about expansion only in select pockets such as Hubli and

A. PRABHAKAR RAO

Shimoga," says Dr. Naik.

Vaatsalya is not alone. Over the past decade, many healthcare chains expanded to smaller towns and cities without enough groundwork. The results have not been to their liking.

So, except for a few players such as Apollo and Narayana Healthcare, most have lowered their expansion targets. Some, like CARE Hospitals, started by Dr. B. Soma Raju and a team of cardiologists in 1997 at Hyderabad, have been selective in expansion and in adding capacity. By 2012, CARE had 13 hospitals, including the ones in Visakhapatnam, Bhubaneswar, Raipur, Surat and Pune. The same year, US-based private equity, or PE, firm Advent International bought a controlling stake in the company. Since then, it has added just three hospitals: One each at Jabalpur, Raigarh and Visakhapatnam. "We plan to add 220 beds in a greenfield facility in Bhubaneswar by December and 100 in Raipur next year. In two years, we plan to add 200 beds in Vizag, where we already have three facilities," says Kasi Raju, Chief Operating Officer, CARE. Advent is reportedly planning to sell its stake, for which it has got interest from a number of PE firms.

Manipal Hospitals, with 15 hospitals and three primary clinics in South India, has added just one hospital in India, in Jaipur, in the past five years.

Apollo had 11 "Reach" hospitals by end of 2012. It planned to increase this to 20 by 2015 and take "Reach's" share in healthcare revenues from 11 per cent to 20 per cent. It is yet to reach the targets.

Apollo's rival, Fortis Healthcare, promoted by billionaire brothers Malvinder Singh and Shivinder Singh, is correcting its past mistakes. A relatively new entrant in 2001, it grew fast to 56 hospitals with over 8,200 beds by 2011/12, when it was planning to add seven greenfield facilities with 2,200 beds within the next two to two-and-a-half years. It also made several acquisitions to become a global player. However, a lot of this expansion was on borrowed money. From less than ₹1,000 crore in 2010/11, its debt rose to ₹6,511 crore by March 2012. After this, it sold most assets in Singapore, Australia, Vietnam and Hong Kong, and brought down its debt to ₹632 crore by 2014/15. Compared to Apollo's plan to add 2,175 beds by investing ₹2,100 crore, Fortis is looking to add only 400 beds a year over the next three years. It has also decided not to go for further acquisitions. It has been posting losses for the past four quarters and is getting out of non-core and under-performing hospitals. It has already exited Moradabad, Agra and Mysore facilities.

DR. PRATHAP C. REDDY
Founder and Chairman, Apollo Hospitals

"Pricing pressures at a time when costs are rising will make the situation unsustainable for healthcare providers. This needs to be corrected"

"At present, our portfolio includes 4,000-plus operational beds. We have the ability to double this without greenfield expansion. Therefore, in the near term, we will continue to focus on internal bed expansions and bolt-ons (addition of towers) to balance profitability with growth aspirations," says Shivin-der Singh, Non-Executive Vice Chairman, Fortis Healthcare.

## It's the Economy

There are many reasons why things have not panned out according to plan. "Growth in social sectors such as education and healthcare is directly linked to economic growth. When global recession forced investors to look for new sectors, they found healthcare attractive. But shortage of reputed hospitals meant they all were in great demand," says M. Muralidharan Nair, Partner, Ernst & Young (EY). In some projects, investments were committed even without any infrastructure in place, he says.

"It is difficult to replicate an urban model with the same bells and whistles and components of tertiary care in a small town," says Vaatsalya's Dr. Naik.

"Some bigger players have found these markets challenging because of issues related to either selection of cities or inability to get the right local partner or not right-sizing the capital expenditure to market potential," says Vishal Bali, co-founder and Chairman of Medwell Ventures and former group CEO of Fortis Healthcare. He says since prices in these markets are 15-20 per cent lower than in Tier-I cities, the investment per bed must be lower by 25-35 per cent. Those who have not maintained this have found the takeoff difficult, he says. Typically, a new hospital should be EBITDA-positive within 15-18 months and this is where most hospitals in smaller towns fail, he says.

"One needs a capital expenditure of ₹50-60 lakh and ₹40 lakh per bed in B and C category towns, respectively. For a 120-bed high-end secondary care hospital in a B category town, the ideal occupancy rate has to be above 85 per cent by about the 5th year with average revenue per occupied bed between ₹70 lakh and ₹90 lakh a year and average length of stay (ALOS) between 2.5 and 3.5 days," says Shivinder Singh of Fortis.

But occupancy levels at most hospitals in Tier-II and Tier-III cities, including Apollo and Fortis, are below 70-75 per cent. ALOS, too, is above four days, which drags down both occupancy and revenue. The reasons, say industry experts, are the low purchasing power of people and the fact that a large population in smaller cities is covered by government schemes.

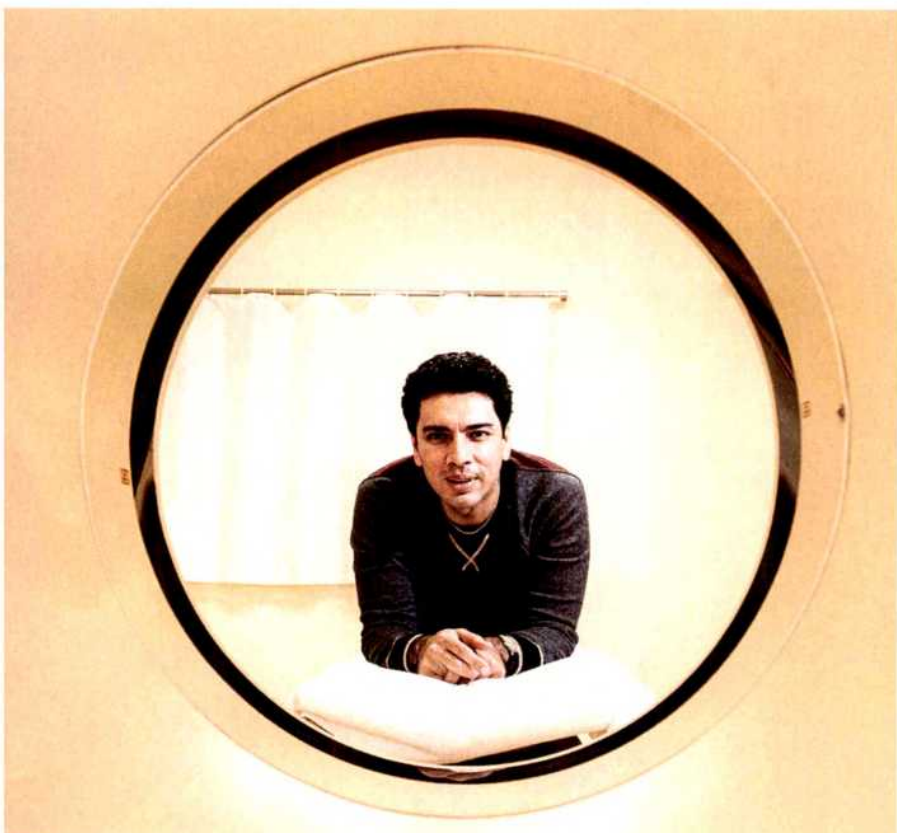
Apollo, in spite of handling the situation better than others, is also feeling the impact of these factors. While it has spread its wings across geographies, its main revenue drivers are still the larger Tier-I hospitals. In 2014/15, for instance, its main hospitals in Chennai

**ON WEAK GROUND: Many private-sector hospital operators are either making meagre profits or are in losses**

| HOSPITAL CHAIN | NUMBER OF BEDS | NO. OF HOSPITALS | REVENUE ₹CRORE | PROFIT ₹ CRORE |
|---|---|---|---|---|
| Apollo* | 9,215 | 64 | 5,178 | **339** |
| Breach Candy (Mumbai) | 213 | 1 | 178.41 | **39.90** |
| Kovai Medical Centre (Coimbatore) | 750 | 1 | 401.62 | **38.70** |
| Narayana Health | 6,900 | 26 | 1,091.32 | **35.56** |
| Manipal Health | 4,900 | 15 | 789 | **13.74** |
| Max Healthcare | 1,900 | 11 | 740.63 | **(32.35)** |
| Wockhardt | 1,500 | 10 | 253.65 | **(7.53)** |
| Sahyadri | 1,200 | 12 | 183.5 | **(13.1)** |
| Vaatsalya healthcare | 600 | 9 | 60 | **(13.5)** |
| Global Hospitals | 2,000 | 9 | N/A | **(14.3)** |
| Fortis* | 4,000+ | 56 | 4,238.8 | **(143.7)** |
| Aster DM Healthcare | 1,700 | 4 | 87.36 | **NA** |

*Revenue and profit figures for Apollo and Fortis are for 2014/15 and for others 2013/14
Source: BSE, Ministry of Corporate Affairs

and Hyderabad, which had 2,421 operational beds by March 2015, contributed ₹1,740 crore to the turnover, 12.1 per cent more than in the previous year. Contribution from 12 other hospitals — in Madurai, Karur, Karaikudi, Trichy, Mysore, Vizag, Pune, Karimnagar, Bilaspur, Bhubaneswar, Jayanagar and Nashik — which are relatively new and have 1,821 beds, was only ₹630 crore. While Apollo earns ₹34,266 per bed per day from its Chennai hospital, the figure for the new hospitals is ₹14,953. "That is because Chennai and Hyderabad hospitals were opened years ago," Apollo Chairman Prathap Reddy told *Business Today* in an attempt to convey that it is a matter of time before the new additions start making a positive impact on the company's numbers.



VIVAN MEHRA

Preetha Reddy, Executive Vice Chairperson, Apollo Hospitals Enterprise, says less revenues and profits from new hospitals are historical facts as the company has invested heavily in its mature hospitals. As new units are ramping up, lower margins in the first 12 to 18 months are acceptable, she says, adding, "We have over the past three years invested in other locations such as Navi Mumbai, Bangalore and Indore. In 2009/10, Chennai and Hyderabad contributed 65 per cent to our healthcare revenues. In 2013/14, the figure was 60 per cent. By 2017/18, it is expected to fall below 50 per cent (as other facilities such as in Mumbai, Bangalore and Tier-II locations pick up), which will rebalance the equation," she says.

VISHAL BALI
Chairman, Medwell Ventures

"Some bigger players have found these markets challenging because of issues related to either selection of cities or inability to get the right local partner"

Krishnan Akhileswaran, Apollo's Chief Financial Officer, says their success has something to do with the selection of cities. "If you look at our Chennai hospital, people from Assam contribute 10-12 per cent to the revenue," he says. A lot of patients come from West Bengal too. He says almost all Apollo hospitals in Tier-II cities have achieved breakeven. Though this has taken six more months than in the Tier-I cities, there have been some good success stories. "We have examples of Bhubaneswar, Madurai and Mysore where the return on capital has been in high teens. This is also the case with our facility in Karimnagar in Telangana," he says.

"Yes, the ramp-up has taken time, but that is because it is important to get the right doctors. This is not to say that the attraction of Tier-II cities has declined," he says. "Last year, we added Nellore and Trichy, and this year we will add Vizag. We have just acquired a major stake in a hospital (with branches) in Indore and Guwahati. Patna is still on the drawing board." The existing Tier-II hospitals are contributing 13-15 per cent to revenues. The company hopes to take this to 20 per cent by 2016/17.

## The Challenges

While 250-bed tertiary care hospitals need five to seven years to break even, the smaller Tier-II and Tier-III hospitals are expected to turn around in three-five years, which is not happening.

In Tier-II and Tier-III cities, the biggest challenges revolve around acquiring talent and ensuring that

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the market is large enough for a facility of certain size and scale, says Shivinder.

Typically, a tertiary care facility with systems and integrated backend processes requires at least 150 beds. The critical factors while entering a Tier-II or Tier-III town include availability of talent and adequate market size so that one can ensure optimum occupancy and price, which is an issue with most chains. Also, when a competing chain emerges in the same town, the whole dynamics, including pricing and occupancy, go for a toss. Retaining talent also becomes a problem.

Another problem is choosing a partner. Sub-standard infrastructure and inability to upgrade it is also an issue. "In many cases, issues around regulatory compliance and illegal structures have forced us to drop M&A or partnership discussions," says Shivinder.

So, what is the solution? "The industry needs to scale up to sustain growth as regulations are becoming more rigid, expectations of people are rising and the sector has become technologically-driven, requiring big investments," says Dr. Devi Prasad Shetty, founder, Narayana Health.

"The service mix has to meet local needs. Patients are willing to avail of complex services if they are assured of quality, which is why in addition to basic services like dialysis, we are planning to bring in secondary and 'closer to tertiary care' services," says Dr. Naik. He says downsizing will make Vaatsalya turn profitable from this year. "We reinvested in the company last year and that was about $2 million," says Vineet Rai, who sits on the board of Vaatsalya and is the founder and Managing Director of Aavishkaar, an investor in the company.

"There are still opportunities in Tier-I cities," says a source familiar with strategy at Max Healthcare, which recently acquired a 76 per cent stake in Pushpanjali Crosslay Hospital located on the outskirts of Delhi for ₹287 crore.

Analysts see a pattern behind Apollo developing its Chennai cluster or plans of Max Healthcare, which has in the last three years grown in North India from 1,200 to 2,000 beds (without Pushpanjali). "We are increasingly seeing growth in hubs where corporate chains have a strong presence. Even today, 70 per cent healthcare infrastructure is confined to India's top 20 cities," says Rana Mehta, Partner and Leader of Healthcare at PricewaterhouseCoopers Private Ltd (PwC India).

"The healthcare industry in India has been booming over the last few years and that is why we are expanding in India," says Dr. Azad Moopen, the West Asia-based healthcare billionaire who is building a hospital chain – DM Healthcare – in India.

Rapid growth requires calibration and like in most sectors each state has different affordability dynamics and growth drivers, says Bali of Medwell. "Even within states, cities have unique dynamics and different purchasing powers, so the answer is deeper understanding of market dynamics. The key is to not apply the same yardsticks across the country," he says. Hospitals will succeed only if they have the right mix of size and clinical specialties, besides good clinicians, processes, technology, talent and management practices, he says.

Prathap Reddy of Apollo says pricing pressures at a time when costs are rising will make the situation unsustainable for healthcare providers. This, he feels, needs to be corrected as there is a growing need to provide healthcare due to new diseases and health-related concerns on the horizon.

It is time for healthcare chains to sit back and think. ◆

DR. ASHWIN NAIK
CEO and Co-founder, Vaatsalya Healthcare

"The hype has come down quite a bit. In Karnataka, people now talk about expansion only in select pockets such as Hubli and Shimoga"

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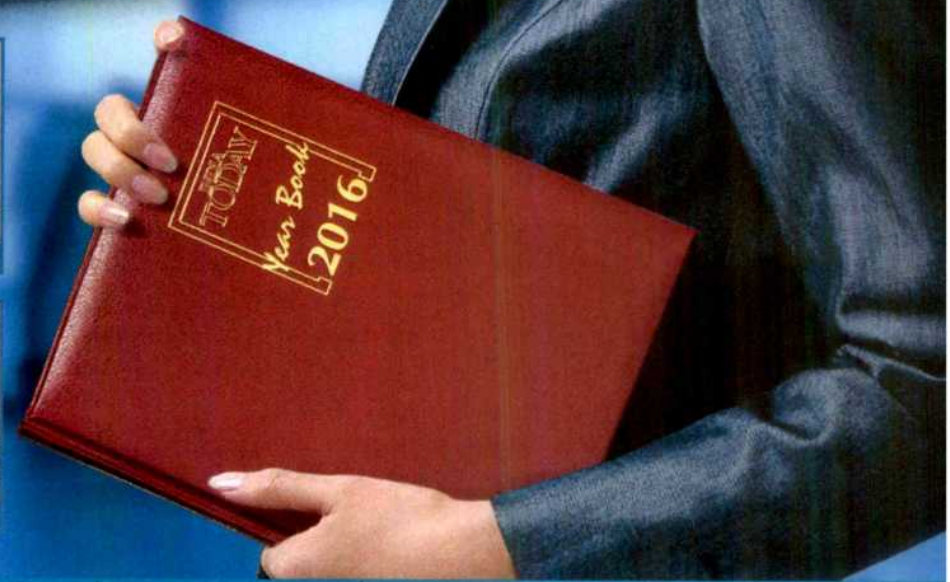


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DR. BHUPENDRA AVASTHI
CEO and co-founder,
Surya Child Care

**"For the first 25 years, it was impossible to expand. I tried, but could not get sub-specialists"**

# INDIA'S NEW NANNIES

**UNLIKE HOSPITALS THAT CATER TO ALL AGE GROUPS, PAEDIATRIC HOSPITALS ARE SEEING ROBUST GROWTH. MOST ARE EXPANDING FAST AND TRYING OUT NEW WAYS TO GROW.** By E. KUMAR SHARMA

Rainbow Hospitals, a leader in the multi-specialty paediatric hospital segment with 700 beds across six locations, was just a 50-bed entity since its inception in 1999 till 2007. Between 2007 and 2014, however, it added 650 beds. And, over the next three years, it plans to add another 450. Mumbai-based Surya Child Care, which has been around for 30 years and is headed by Dr. Bhupendra Avasthi, has 300 beds, but wants to double this number in the next one year.

The two are part of a larger trend in the healthcare industry. As private hospitals catering to all age groups are struggling to maintain profitability, hospitals for children are emerging as a big business. After taking several baby steps for over a decade-and-a-half, the leading players in the segment are now striding ahead.

"We have grown from 70 to 300 beds in the past two years. For the first 25 years, it was impossible to expand. I tried but could not get sub-specialists such as paediatric cardiologists, paediatric neurologists and paediatric nephrologists. The doctors had only MBBS or MD degrees," says Dr. Avasthi.

"About 10 years ago, in Mumbai, I could find only two good paediatric cardiologists, but today there are at least 10 good doctors in each sub-specialisation," he says. Funding, too, is more easily available. And most importantly, unlike the main hospital segment, this is not a crowded space yet.

Talk to any healthcare expert on this and he will give a number of compelling reasons why expansion by children's hospitals makes sense. One, there is a big demand-supply gap. According to PricewaterhouseCoopers India (PwC India) estimates, on the basis of data from individual players, right now it is a ₹1,500-crore market (with over 2,000 paediatric beds), a fraction of the overall ₹55,000-crore paediatric market (largely paediatric arms of multi-specialty adult hospitals, nursing homes and paediatric clinics). Two, since most top players are concentrated in a few locations, their EBITDA margins are higher (25-30 per cent) than that of multi-location super-specialty hospitals for adults (12-20 per cent). Three, the model is rapidly scalable as most facilities have just 100-150 beds. Four, it costs around 20 per cent less to set up a hospital for children – one reason why operational breakeven is possible in about 30 months. For a comparable multi-specialty

## NEW PARADIGM

Majority of children hospitals aim to be asset light

Most have a hub-and-spoke model

Many are taking the franchise route while expanding to newer geographies

Donor-funded tertiary care hospitals targeted at poor is also a growth area

**Some Major Players**

- Rainbow Hospitals
- Surya Child Care
- Lotus Hospitals
- Apollo Children Hospital
- Narayana Health

RACHIT GOSWAMI

NILOTPAL BARUAH

## KEY FACTS

### Size of the Market
India has a handful of paediatric centres in spite of having the highest percentage of 0-14 year olds (29% population). There are close to 2,000-plus paediatric beds in India. This translates into a market size of about ₹1,500 crore. The overall paediatric market in India is about ₹55,000 crore

### Growth Rate
The niche paediatric market is growing at 14-18% per annum. At least 8-12 new players may enter the market over the next three-five years.

### Growth Drivers
Shortage of facilities offering super-specialty care, rising incomes and growing willingness among parents to seek opinion from super-specialists.

### Economic Rationale
Paediatric players are able to earn higher EBITDA margins than most multi-specialty (adult) hospitals.
(Source: PwC India estimates based on industry data)

hospital for all age groups, the figure is 60 months. "While the average capital spent per bed is similar for both, the difference is due to the fact that a 100-120 bed paediatric facility is capable of housing almost all super-specialties while it takes 1.5-2.5 times more investment to house facilities for super-specialised care in an adult hospital. This translates into a need for more beds or equipment, or both," says Vijay Raaghavan, Principal Consultant, Health-care, PwC India.

"The country needs hospitals for children. Any city with a population of 20 lakh needs at least one 100-bed children hospital," says Dr. Ramesh Kancharla, Chairman and Managing Director of Rainbow Hospitals.

### Business Models
Most hospitals, says Dr. Kancharla, tend to be 100-bed outfits catering to urban India and offer a mix of intensive care, some specialisation and maternity services. Rainbow, he says, is the largest player with focus on multi-specialty services. A typical hospital for children that offers tertiary care, that is, care across specialisations, costs ₹45 lakh to ₹50 lakh per bed, which translates into ₹50 crore for a 100-bed facility, he says, and that too if "it is asset light, that is, does not own the land and building". Most hospitals have been following this model. For the past five years,

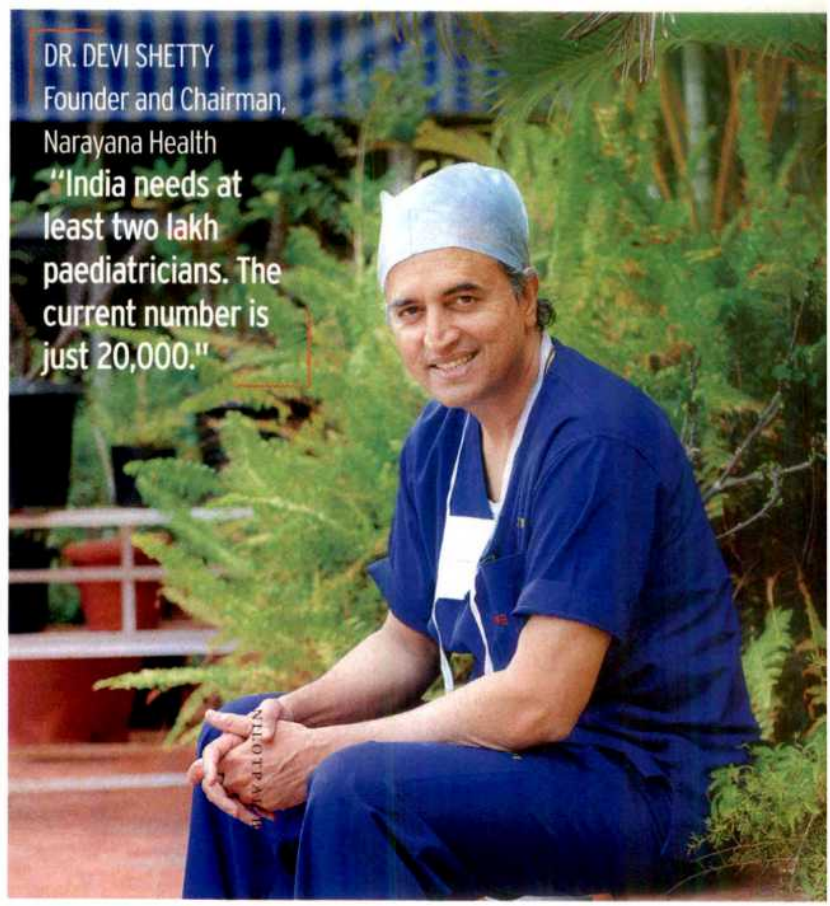
Rainbow, says Dr. Kancharla, has been growing at 25 per cent every year and hopes to close 2015/16 with a revenue of ₹250 crore.

*Business Today*'s conversations with Dr. Kancharla and others show that the growth of paediatric hospitals is the result of a fact that most are single-location players in a market that is not crowded. Plus, their mix of facilities includes intensive care, where the revenue per bed is higher. Also, a bulk of their revenue comes from NICU (neonatal intensive care), PICU (paediatric intensive care) and other specialised offerings. They also earn from perinatal (pre-birth) services (see *Key Facts*).

"There is positive sentiment about children's hospitals. Most lending agencies are seeing growth there," says Dr. Kancharla. He is using a combination of equity and debt for adding 450 beds. "We have almost no debt. We intend to use a combination of debt and equity, in equal measure perhaps, and raise around ₹150 crore," he says.

Dr. V.S.V. Prasad, Chief Executive, Lotus Children's Hospital in Hyderabad, is pursuing a different model. Dr. Prasad was, incidentally, Dr. Kancharla's partner when Rainbow was founded, but later split and in 2006 set up Lotus. "By and large, 80 per cent child healthcare is provided by general practitioners," says Dr. Prasad, adding that only one or two out of every 10 children need hospitalisation. So, he is planning a model under which basic services are offered by satellite centres while the complicated cases are referred to the mother hospital. "We have not operationalised this model yet but hope to open two satellite centres in one year," he says. Lotus has 200 beds in two facilities in Hyderabad. Dr. Prasad says the franchise model, too, can work. "For our expansion, we are looking at a franchise model where we will partner with a group of local doctors who know the area well and have been practising there," he says.

"Our focus is on paediatric and maternity services, but more on paediatrics. However, our main focus is intensive care," says Dr. Avasthi of Surya, which started offering services in Pune from April 2015. "Typically, out of 125 beds at our units, 50 to 60 are reserved for neonatal or intensive care and that is one reason our returns are better," he says. On revenues, he says: "We were at ₹15 crore earlier and hope to touch ₹70 crore this year and ₹150 crore next year." The focus, he says, is to be asset light. "We enter into long leases (30-40 years) for buildings and partner with good doctors who know the local market and would invest under a profit-sharing arrangement," he says. He is doing this in Jaipur apart from Thane in Mumbai. A third unit is planned either in Kandivali, a suburb of Mumbai, or in Ahmedabad. "After we embarked on this, every third day we have been getting calls from different locations with offers for partnership," he says. To fund growth, two years ago, Surya had raised close to ₹60 crore from healthcare-focused private equity firm OrbiMed Advisors.

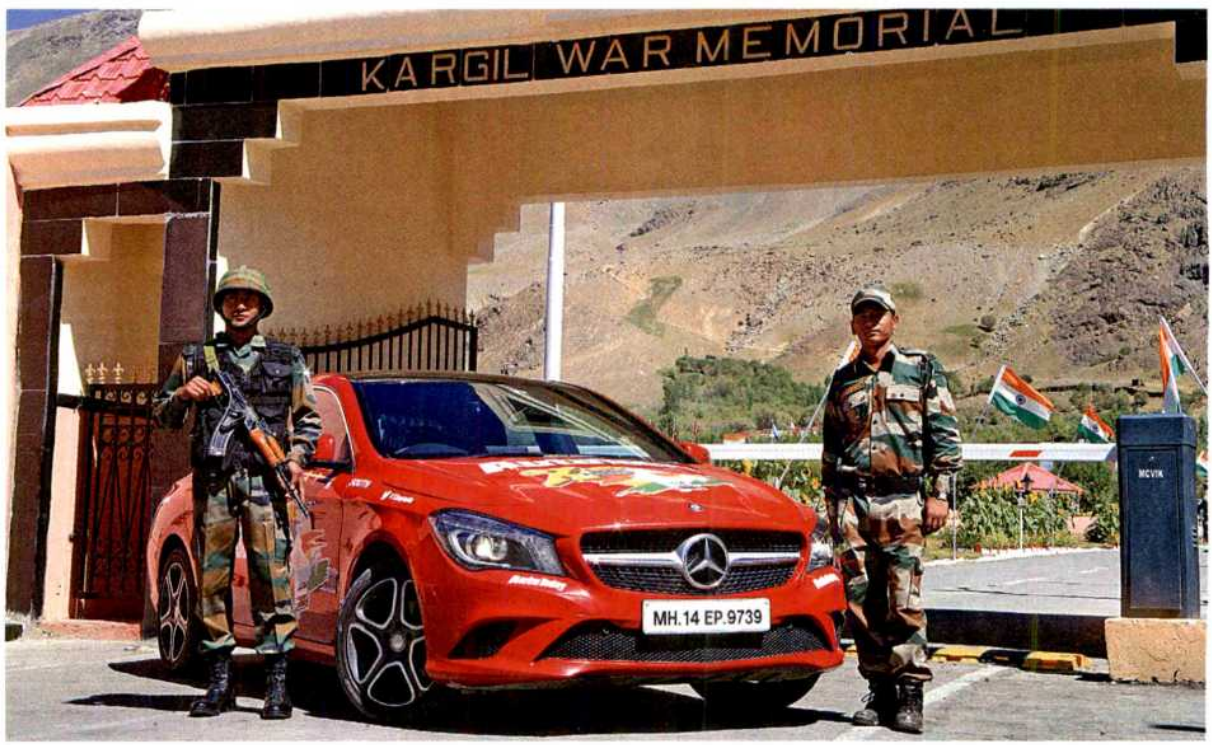



Dr. Devi Shetty, Chairman and Founder of Narayana Health, says, nationally, there is still a huge shortage of manpower to address childern's health issues. "We have one of the highest infant mortality rates in the world. Even 20 per cent Caesarean section births translate into 5.6 million C-section surgeries every year, which require two lakh gynaecologists and an equal number of anaesthesiologists, radiologists and paediatricians. However, the country has just around 20,000 paediatricians." ◆

*@EKumarSharma*

# UNLIKE ANY OTHER

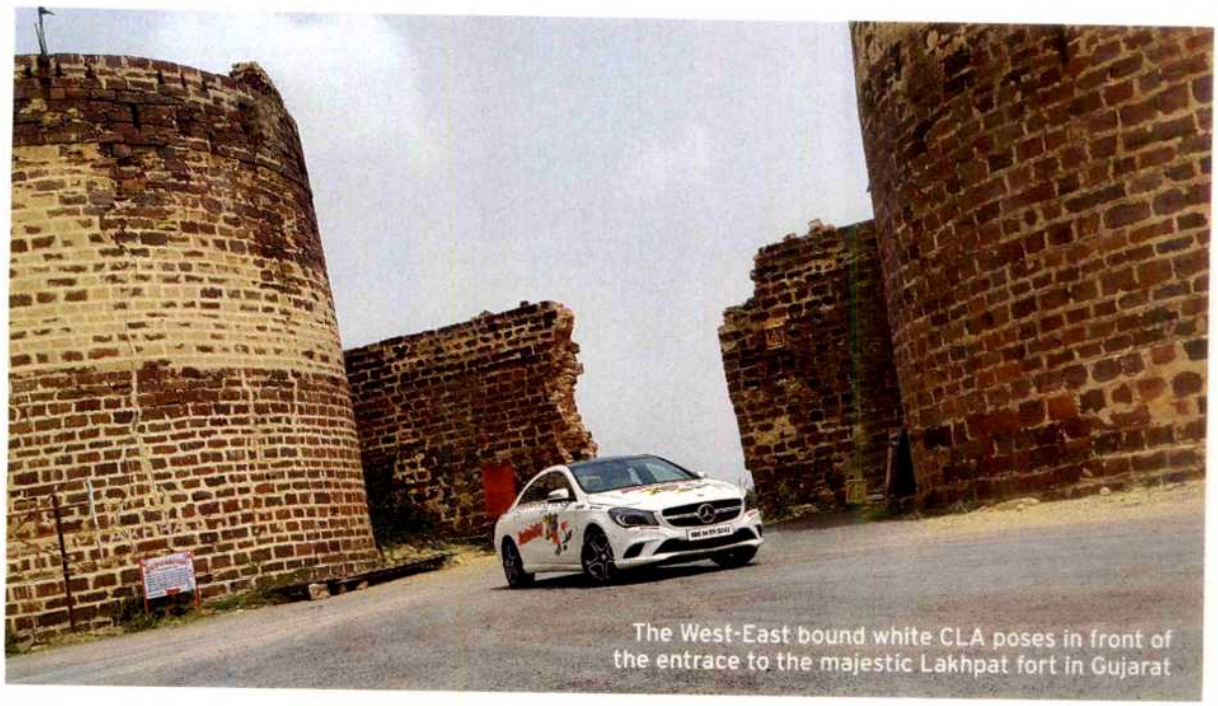
Two beautiful Mercedes-Benz CLA cars go on a journey of discovery through 30 Indian states



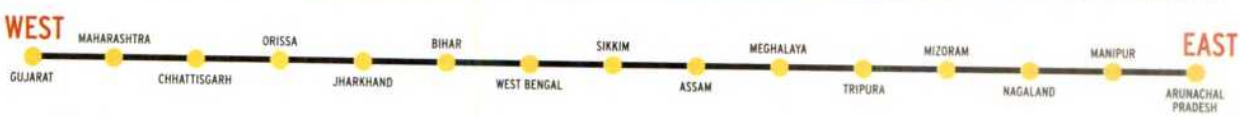

15 states to be crossed in each direction traversing the length and breadth of India in a couple of weeks; seems easy? Not really, cross-country journeys are best made with SUVs. This was a seemingly impossible challenge from the word go but we believed that the beautiful Mercedes-Benz CLA 200 CDI could complete the journey just as well. With faith in Teutonic engineering and the three-pointed star the two cars headed off.

The North-South team started their journey from the Kargil War Memorial. Customary photographs clicked and homage paid to our fallen heroes, the team started off hitting pristine tarmac from Kargil to Drass. What lay ahead was a challenge greater than the rest of the journey combined – crossing the mighty Zoji La pass. A feat that would've otherwise been easy for an SUV, became increasingly arduous given the unforgiving terrain the pass presented. Creeping and crawling, protecting the car for the vast journey ahead, the team made it through the pass and headed onto beautiful Sonamarg in Kashmir. Soon after, the roads opened up and Himachal Pradesh, Haryana, Rajasthan, Uttrakhand, U.P and M.P were dealt with ease.

(Left) The rough roads or rather the lack of them at Zoji La are a challenge even for trucks but the North-South bound CLA managed well with some cautious driving. (Right) India Gate made for a beautiful backdrop



The West-East bound white CLA poses in front of the entrace to the majestic Lakhpat fort in Gujarat




The West-East team started their journey from the historical site of Lakhpat Fort. Once a striving business port, an earthquake distanced the coastline. No longer usable for its purpose, Lakhpat is but a tourist attraction now. Gujarat presented some brilliant roads and National Highways as we headed to Ahmedabad and next morning towards M.P. For reasons unknown, we chose back-roads and State Highways to explore M.P and it was a good decision. Farmlands strewn across hilly areas and scarce population and a stunning sunset later, we were en route Nagpur to meet up with the North-South team. The aim was to converge at the geographical centre of India, as marked by the British with a pillar. During The Raj, this point was used to measure distances across India. We figured it would provide an apt setting for the teams to meet up and compare notes before parting ways towards the far reaches of the country. Read the October issue of Auto Today for more adventures and watch this space for part two of Auto Today's X'ing India Challenge.

(Left) Entering Madhya Pradesh on the second day after starting off the West-East leg. (Right) Non-existent roads were common during our journey. (Below) Both CLAs converge at the Zero Milestone in Nagpur, Maharashtra

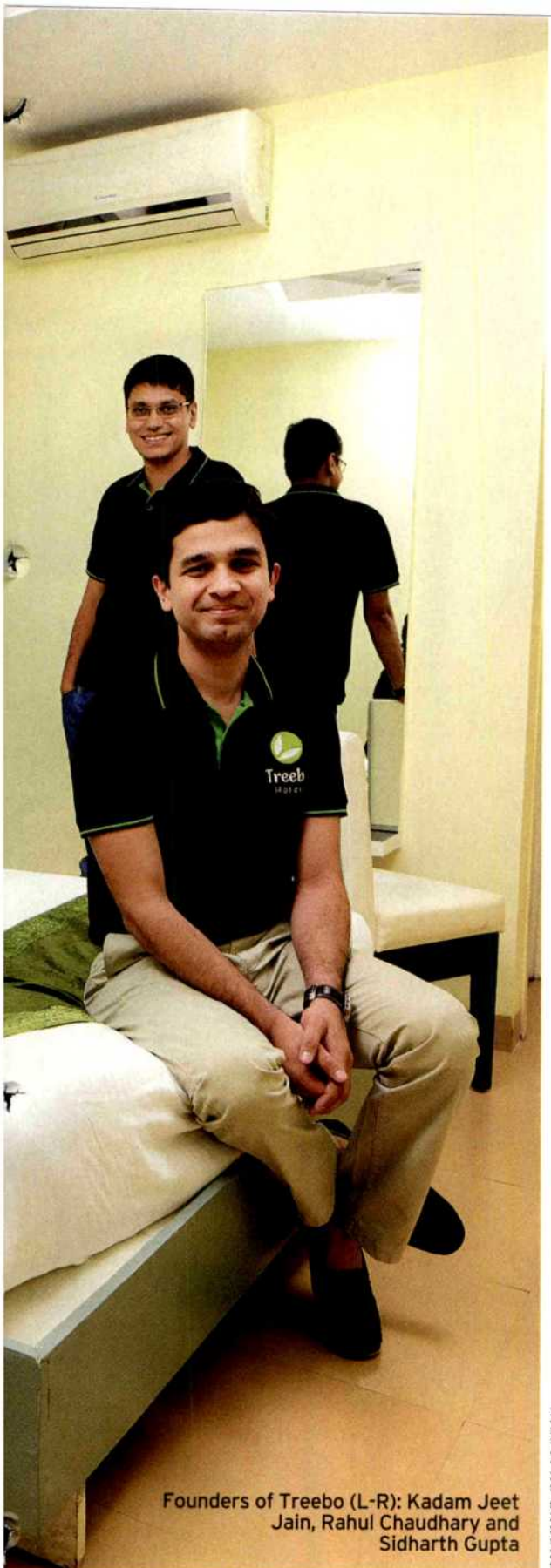
EXCERPTS FROM AUTO TODAY

# Room With a View

## Online budget hotel aggregators are catching the fancy of investors and travellers alike. Will the hype sustain?

**By VENKATESHA BABU**

Palaniswami Mudaliar, 29, is a senior programmer at a data analytics company in Pune. He visits his parents at his sister's house in Coimbatore every two months. On each visit in the past, he felt he was inconveniencing his sister's family, which lives in a two-bedroom apartment. Then he discovered Stayzilla, an online marketplace for budget hotels. "I got a good room for ₹1,200 and managed to enjoy quality time with my family, without having to sleep on the sofa," he says.




Founders of Treebo (L-R): Kadam Jeet Jain, Rahul Chaudhary and Sidharth Gupta

NILOTPAL BARUAH

Or Harish Krishnamurthy. When his house in Bangalore was being fumigated, the family decided to shift to a hotel for the night as they had a nine-month-old baby. "The pest control guys said we could stay, but as my son was small, we decided to shift to a hotel for a day. It was like a mini-holiday. We ordered food, relaxed and enjoyed, all for just ₹1,650." The booking was done through Oyo Rooms.

India is familiar with budget hotels — those with room tariffs below ₹3,000 — as well as online travel aggregators (OTAs) such as MakeMyTrip and Yatra. But places where Mudaliar and the Krishnamurthy family stayed are part of an emerging universe in which players such as Oyo Rooms and Stayzilla are bringing together budget hotels on their platforms while also helping them improve service quality. The aim is to offer customers a high-quality experience while keeping costs low.

**1.03 lakh**
Number of branded hotel rooms in India

The scope is huge. The number of travellers, both domestic and international, has been rising at a fast pace. And given the average incomes in the country, most action is in the budget hotel space. The Federation of Hotels & Restaurants Association of India estimates that there are just 103,000 "branded" hotel rooms in India, of which just 35 per cent are budget. Bangkok, the capital of Thailand, alone has 125,000 rooms. It estimates that India needs another 180,000 rooms by 2020 if it is to meet its target for tourist arrivals. Real estate consultancy Cushman & Wakefield estimated in 2014 that an additional 52,000 new hotel rooms would be added by 2017.

Anil Kumar Prasanna, the Chief Executive Officer of Axis Rooms, which helps hotels manage inventory, says older companies such as MakeMyTrip solved the problem of booking hotels online. What is different with this new breed is that "it is solving a different problem of standardising quality in terms of room standards, user experience, etc, while also working on dynamic revenue management". Smaller hotels used to shy away from using technology. "This was an opportunity for these aggregators to use technology for building large hotel chains," he says.

One player building a nationwide chain is Oyo Rooms, run by the 21-year-old Ritesh Agarwal, a college dropout. He says his experience of staying in sub-standard hotels that charged high prices gave

him an idea that there was a market waiting to be cracked. He says Oyo today has a network of 1,300 hotels with 14,000 rooms in 73 cities, making it "India's largest budget hotel chain." It has raised more than $125 million so far (see *Leading the Way*).

Others like Stayzilla and Zo Rooms question these claims. Yogendra Vasupal, the co-founder of Stayzilla, says they offer 32,000 properties with 100,000 rooms in 4,500 cities and towns. These claims and counter claims are understandable as different players are following different business models. While the well-funded Oyo co-opts existing brands and rebadges them "after they meet the Oyo criteria", Stayzilla follows a marketplace model where even Oyo is welcome to sell. No wonder there is a debate about which model will succeed.

"Less than 4 per cent properties are part of chains. This number is set to grow to 20 per cent over the next few years with more and more branded chains coming up," says Rajinder Balaraman, Vice President, Matrix Partners, which has invested in Stayzilla.

SHEKHAR GHOSH

**"Given the amount of money we have raised, we will build scale. This will largely be a winner-takes-all market"**

**RITESH AGARWAL**
Founder & CEO, Oyo Rooms

While online marketplaces and hotel chains slug it out, some entrants are introducing their own tweaks. Treebo, run by Sidharth Gupta, Rahul Chaudhary and Kadam Jain, which has raised $6 million from venture funds, says it focuses more on service quality than scale. "A competitor may be involved in just a part of the property. However, we take over the property completely, bring it up to our standards and rebadge it under our name. While owners continue to run the hotels, we train their staff and improve the ambience, even to the extent of helping them buy cushions, duvets and towels from vendors vetted by us. Most important, we help in marketing too, enhancing occupancy," says Gupta.

Ritesh of Oyo says such hand-holding is common in the industry and Oyo also does it. "From the thread count of the bed spread to the colour of the duvet, we engage with owners to provide same experience at similarly-priced rooms across Oyo properties." He says regular auditing is done to check if the standards are being followed. The job of 'mystery shopping' to ensure quality has been outsourced. The tie-up with Oyo, he says, has helped hotels registering 40-50 per cent occupancy to report 85 per cent occupancy within two months. "We also assure them a minimum revenue," he says. The training to employees, too, has helped, by increasing the turnaround time for housekeeping by 60 per cent.

Vaibhav Aggarwal, the co-founder and CEO of FabHotels, which has 150-plus hotels across 25 cities with 3,000 rooms, says the minimum guarantee model

## Leading the Way
How top players stack up against each other

| Name of the company | Started in | Number of employees | Money Raised | Differentiating Factor |
|---|---|---|---|---|
| **OYO ROOMS** | 2013 | **500** | **$125.65 mn** | Aims to be the largest budget hotel brand in the country |
| **ZO ROOMS** | 2015 | **NA#** | **$35 mn** | Asset-light aggregator model |
| **STAYZILLA** | 2005 | **500** | **$24.5 mn** | Wants to be the biggest marketplace for budget stays |
| **TREEBO** | 2015 | **50** | **$6 mn** | To focus on quality rather than the size of the hotel network |
| **FABHOTELS** | 2013 | **ND*** | **$5 mn** | Is looking to be the budget hotel equivalent of KFC/McDonald's, provide consistent quality through the franchise model |
| **AXIS ROOMS** | 2011 | **60** | **$1 mn** | Wants to use technology to run the distribution business |
| **ZEN ROOMS** | 2015 | **NA#** | **$1 mn** | To provide budget rooms under its brand in six countries to begin with |
| **ZIP ROOMS** | 2015 | **200** | **Self-funded by Keshav Baljee** | Promoter is a hospitality industry veteran, to focus on quality of service |

*ND - Not Disclosed; #NA - Not Available; This is an indicative list

is not viable. "We also work on a franchise model but don't give such assurances. Hotel owners sign up with us because they see results. We want to roll out like a KFC or a McDonald's, that is, provide the franchisee help to succeed. The attraction to customers is two-fold. First is our sharp focus on the sub-₹2,000 segment and the second is the level of service predictability." FabHotels has raised $5 million from Accel Partners and Qualcomm.

One of the latest players to enter the market is Zip Rooms, started by Keshav Baljee, an industry veteran who has co-promoted Spree Hotels and the listed Royal Orchid Hotels. Baljee says while the likes of Makemytrip, Yatra and other OTAs got people to book online, "they did not guarantee the quality of the hotels and did not own the experience". Zip Rooms, he says, will look after the end-to-end offering. "We see ourselves as a brand and a chain of hotels rather than a booking service," he says. Zip, which has 200 employees, is in talks with investors to raise funds. Other entrants in the field are the yet-to-be-launched Zen Rooms, which is betting on being part of an international chain of branded budget hotels, and Vista Rooms, which operates only in Tier-II and Tier-III cities, and works with 450 properties. There is also WudStay, which has got $3 million backing from Mangrove Capital Partners, and Vikas Saxena, CEO of messaging app Nimbuzz, which launched this April. "There is a lack of trust among customers in the quality of budget hotels in smaller cities. This is the problem we are trying to solve," says the head of partnerships at Vista and a co-founder, Ankita Sheth.

Then there is Room Central, which like Axis Rooms

JAISON G.

is a booking engine and a property management platform. It says it has raised $2 million from an angel investor and is working with 50 properties. Naspers, also among the new entrants, is supposed to have acquired a minority stake in a sales management platform called Djubo, which says it is working with 100 hotels. With so many players in the fray, consolidation through acquisitions is bound to happen, feel experts. Also, with customer expectations high, those who shortchange on standards will fall by the wayside as the online booking game is based on reviews and ratings.

Vasupal of Stayzilla, however, is sceptical about players trying to just rebrand and rebadge existing properties. "If there are 20 Oyo hotels in, say, Koramangala in Bangalore, will it work? I think the marketplace model will win, which is why we are betting on it." He says he is also trying to bring homestays, hostels and other properties into the market. "If you have an extra room to rent out for the night, we want to be able to help you first fix it up. I am more interested in expanding the market rather than just rebadging existing properties."

Ritesh of Oyo, though, seems to be gung-ho on building a branded hotel chain. "We don't want to be another OTA. We want to build not just in India. Given the amount of money we have raised, we will build scale. This will largely be a winner-takes-all market."

Whether it is the marketplace or the branded chain model, these companies expect to earn 25-60 per cent of the amount billed to a customer. Sidharth of Treebo is clear that "the current crazy discounting will not sustain. Some are buying rooms for ₹1,600 and selling for ₹999, taking a hit in the name of customer acquisition, using venture money. Treebo will never do that."

**"I think the marketplace model will win, which is why we are betting on it."**

**YOGENDRA VASUPAL**
Co-Founder, Stayzilla

No matter how the future pans out, for now, expectations about explosive growth have made every player gung-ho. "The demand for budget hotel rooms in India has been growing at 18-20 per cent but supply has been growing at only 10 per cent. At the same time, 70 per cent hotel rooms are in unbranded hotels. Thus, India will see the emergence of a large branded player, much like what China has seen," says Mayank Khanduja, Vice President, SAIF Partners, which has invested in Treebo.

For now, though, there has never been a better time to stay in a budget hotel. ◆

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Heather Bresch in discussion with Raj Chengappa

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Nita Ambani, Director, Reliance Industries receiving her award from Heather Bresch

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# CELEBRATING SMALL BUSINESS

**Winners of *Business Today* Best SME Awards are setting high standards and taking giant strides forward. By ALOKESH BHATTACHARYYA**

The excitement was palpable, as the banquet hall at the Hyatt Regency steadily filled up on the evening of September 23. And why not, considering the occasion. This was the awards event for the sixth *Business Today* Best SME Awards, an occasion graced by Kalraj Mishra, Union Minister of MSME, as chief guest.

RELIANCE Commercial Finance Presents business today SME AWARDS

Vijay Sampla, Union Minister of State of Social Justice and Empowerment, graced the function as the guest of honour. Then there was K.V. Srinivasan, CEO of presenting sponsor Reliance Commercial Finance, Ashish Bagga, Group CEO of the India Today Group, Prosenjit Datta, Editor of Business Today and, of course, there were the representatives of the

PHOTOGRAPH BY SUMIT SHARMA & SHASHANK SHEKHAR

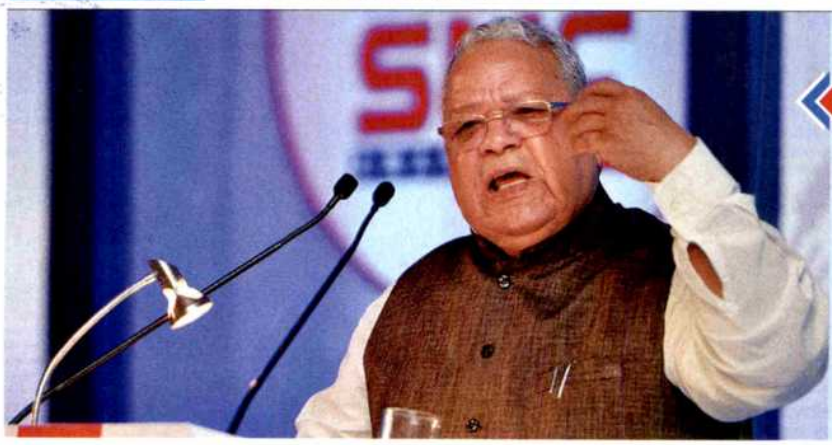
**An august gathering:** All winners with the chief guest, Kalraj Mishra, Union Minister of MSME and guest of honour Vijay Sampla, Union Minister of State of Social Justice and Empowerment (centre)

**Woman power:** Aakanksha Bhargava, CEO of PM Relocations, receives the award for the Best Woman Leader

companies that were nominated for the awards.

India Today Group's Bagga set the action in motion. While welcoming the distinguished guests, he said when BT first launched the Best SMEs survey six years ago, the idea was to identify SMEs that were doing exemplary work and recognise them for their contribution to the economy. "I am happy to share that our objective has been well met over the past few years," he said.

Reliance's Srinivasan pointed out that his company had made SMEs the core of its business, and disbursed more than Rs 50,000 crore worth loans over the past few years. "A large chunk of that has come back," he said, adding that he has noticed a sea change in the attitude of SMEs



"To make India a manufacturing hub, small businesses must be given the right opportunities and facilities in India's villages"

**Kalraj Mishra,**
Union Minister of Micro, Small and Medium Enterprises

"To be a true leader, you have to understand the pain of the poor. The poor have willpower but not economic power"

**Vijay Sampla,**
Union Minister of State for Social Justice and Empowerment

**Members of the jury:** (L to R) Anil Bhardwaj, Secy-Gen, FISME; Vivek Kulkarni, MD, Brickwork Ratings; Mahendra Swarup, MD, Avigo Capital

towards new technologies, and also in bringing in greater governance in their companies.

Guest of honour Sampla gave a heartfelt speech, urging the companies and their executives present to help bring about greater empowerment for the poor and marginalised. "To be a true leader, you have to understand the pain of the poor," he said. "The poor have willpower but not economic power."

Following Sampla's speech, BT's Datta took the stage to explain the methodology behind the awards, and also introduced the evening's chief guest, MSME minister Kalraj Mishra.

Mishra gave a rousing speech, where he spoke in detail about the need to encourage and empower SMEs, and about the various schemes that his ministry had launched. "Everyone in India – policy makers, intellectuals, businessmen – recognises the power of MSMEs to propel India into becoming a developed country," he said. "To make India a manufacturing hub, small businesses must be given the right opportunities and facilities in India's villages." The minister urged people to invest in small businesses in India. He also announced that the MSME ministry would soon launch an Udyog Aadhar Card for MSMEs.

Reliance Commercial Finance was the presenting sponsor. ◆

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# Ready to Tee Off

## The Lloyd-*Business Today* Pro-Am of Champions Golf tournament kicks off in Delhi. By VIVAN MEHRA

PRO-AM OF CHAMPIONS 2016

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From left to right: Sanjeev Handa (Maruti Suzuki), Nipun Singhal (LLOYD), Ashish Bagga (India Today Group), Navroze Dhondy (Creatigies), Amandeep Drall (Pro Golfer), Vani Kapoor (Pro Golfer), Neha Tripathi (Pro Golfer), Vivek Sharma (WGAI)

The Lloyd Business Today Pro-Am of Champions Golf tournament, now in its 20th year, announced a slew of initiatives to further promote India's most prestigious golf tournament. For the first time, this corporate golf tournament will be played across seven cities, beginning with Ahmedabad and ending with the National final in Delhi on March 12 and 13. The tournament is an exclusive invitational event for CEOs and corporate heads across India with over 800 top executives and CXOs participating in the event. The regional rounds will have the top CEOs compete with one another at some of the finest golf courses across India. To make the participating executives get even more competitive, the tournament format has been tweaked to introduce a team championship. This will see the best team from each city participate in the national finals in Delhi, where some of the finest professionals women golfers will team up to vie for this prestigious trophy.

While talking about the golf partnership and the upcoming season, Nipun Singhal, Director, Lloyd Electric & Engineering Limited, said, "In the second year as the

Nipun Singhal (left) and Ashish Bagga with the Pro Am Golf Trophy

Left to right: Sanjeev Handa, Nipun Singhal and Ashish Bagga interact with the press at the launch event

Amit Luthra (centre) of Luthra and Luthra Associates asks a question to the panel

Vivek Sharma (left) watches as Vani Kapoor and Amandeep Drall answer press queries at the event

principal sponsor of the tournament, there is so much to look forward to. We believed in partnering with a tournament that stands for excellence and have found it with the BT Pro Am. We plan to take it to 10 cities next year and increase the number of participants." Sanjeev Handa, VP Marketing, Maruti Suzuki, said, "Innovation and continuously re-discovering yourself is a way of life at Maruti. Golf, like the S-Cross, is for those who rise above the ordinary."

Ashish Bagga, Group CEO, India Today Group, said, "We began our journey in 1995. We identified a need for a tournament involving CEOs and professional golfers. We are extremely pleased with our association with Lloyd, which has contributed to the success of this tournament in making it bigger. We are also joined by Maruti Suzuki and other esteemed partners who have shown their faith in this property and ready to embark on this exciting journey." Nautica is the style partner, *4moles.com* the digital partner, Ballantine's the beverage partner and Creatigies Communication the marketing partner for the event. ◆

*Event schedule*
*Ahmedabad: Oct 24, Kalhaar Blues & Greens*
*Hyderabad: Nov 21, Hyderabad Golf Club*
*Chennai: Dec 3, Madras Gymkhana Club*
*Mumbai: Jan 15, Willingdon Club*
*Bangalore: Jan 30, Eagleton Golf Resort*
*Kolkata: Feb 20, Tollygunge Club*
*Delhi: March 12 and 13, Classic Golf & Country Club*

Keeping them engaged: No mismatch between expectations and delivery is the promise when people are hired at WebEngage

# HR LESSONS FROM START-UPS

**Based on mutual agreement and unwritten rules, entrepreneurial HR is disrupting the function and showing a new way for corporations.**

BY NABOMITA MAZUMDAR

What crosses your mind when you think about HR in start-ups? Is it the absence of it? Or a bright coloured office and casual dress code? Startups are mostly run by a founder and his core team, who care the least about structures, functions and policies. That's why entrepreneurial HR is a system that works mostly on the basis of mutual agreement and unwritten rules.

"HR in start-ups is a lot more than free beer in the fridge and the ping pong table," says Kanchan Kumar, Founder, Emportant, a payroll processing firm. Start-ups, being nimble-footed, have the luxury of disrupting the HR function. And they are doing just that. When your employer spends his revenue to build your net worth and not merely to pay you a take-home salary, or when the founder himself delivers the induction programme to explain the company's culture right on day one, you know that the HR function is too mature to be called frivolous. Bring Your Own Device is now Bring Your Own Cloud, showing the transparency and the trust in employees that these start-ups are pioneering.

Blending roles and diminishing boundaries calls for the

founder to deliver on HR responsibilities. The first priority is managing people rather than managing a product. "We don't have a traditional HR person. I double up as the HR manager, among other things," says Anand Jain, Founder, Clever Tap, a mobile technology start-up.

Let us look at each HR process and how it is being disrupted at start-ups.

## Hiring: Set the ball rolling

Social seems to be the unanimous choice for hiring with referrals leading the way. A twist or two paves the way for integration of the new hires.

"All my employees were hired through referrals. The induction is informal. Since new employees come through referrals, they hit the ground running as they have the knowledge of the company and the product," says Jain.

Ankur Agarwal, Founder, PriceBaba, an online price comparison site, echoes this. "The biggest plus of social recruiting is that the candidate is vetted much before joining. We also have a good history of getting interns to join us full time after they complete their education. That loop is priceless. Once someone joins full time, he helps us recruit more good candidates from his college."

Crowd Fire, a social media product marketing company, approaches talent sourcing differently. It organises meet-ups for brainstorming design ideas and pools in talent for future hiring. WebEngage, a company that provides online marketing tools for ecommerce firms, flies down the interviewee to its office in Mumbai for several rounds to find the right capability, with minimal mismatch between expectation and delivery.

Instamojo, an instant payment solutions provider, focuses on direct hiring through sources such as the Career page, AngelList, Referrals and Instahyre. Referral bonus becomes a lump sum if the employee facilitates joining of five or more people. Media Magic pays Rs 10,000 to the interviewer once the candidate completes three months in the organisation. This builds ownership and expertise among the leaders in the firm.

FreeCharge also depends on referrals. Employee referrals are enhanced with gamification, which is interesting, fun and rewarding. As part of the programme, there is an online portal which helps employees share the jobs available on social networking sites and relevant forums. 'Tech Carnival' offers a Goa vacation after every successful referral.

## New Hire Integration

POCE (Post Offer Candidate Engagement) at FreeCharge offers a platform for candidates to interact and integrate and get to know the workplace culture, norms and expectations. New hires are invited for informal meets and greet lunch sessions with the hiring managers. New laptops are sent even before they come on board.

Big Basket invests in a strong cultural orientation with focus on integrity, speed and urgency. Growing at a whopping 200 per cent, deepening the vision and the mission of the founder remain imperatives. Creating the best last mile for the customer requires each and every employee to deliver on the core culture. Managing employees on payroll and on-demand labour requires rigorous training on the core culture and mission along with skill-based programmes.

## Time Management

The focus at start-ups is on productivity and attendance is secondary. "We don't track vacation or work hours. If an employee is thinking about attendance, he is not thinking about the product or tech," says Jain of Clever Trap.

Work arrangement that works best for the talent is offered, and this goes beyond work-from-home. Agarwal of PriceBaba offers traffic-friendly work hours. "We never

measure attendance. We ask team members to declare their leaves to their managers over email. We recently did away with timings altogether. Our previous policy was that employees could come in any time between 9am and 11am. We have now left it to the individual. So, employees choose the timings, and most of them have their creative ways of beating the Mumbai traffic."

## Training: Passing the Ball

Developing skills requires a similar focus. WebEngage, being a small and fast-growing company, doesn't have enough slack and structure to put employees through a training programme. So, the employee, after joining, is given a solo task. For techies, it is a problem they wanted to solve for long but couldn't focus on, due to various reasons. Sales guys attend a number of sessions with the CEO and the sales team where they decode the process they follow and note down points to be kept in mind while approaching the clients.

Instamojo combines various forms with hands-on training and interactive methods such as townhall presentation, role-playing, facilitation along with mentoring, and e-learning.

At times, employees are allowed to interact with mentors outside the firm. "One of our biggest challenges is that our young team lacks the experience of setting up processes or dealing with tricky management issues. So, we have a set of mentors to help us out. We have empowered our team members to directly speak to these mentors. For instance, Jain of Clever Tap and Aditya Mishra of SwitchMe, a loan switching platform, are directly accessible to several people in our team as mentors. We have internal Barcamp-like unconference sessions, delivered by individuals within the company, and the topics can range from 'productivity' to 'spirituality', says Agarwal of PriceBaba.

FreeCharge organises 'bugathon' and 'hackathon' before the launch of any new product.

## Teaming up

Structures are designed according to work and responsibility. Sampad Swain, Founder, Instamojo, says, "Considering that we are a very small group, we have no designations or hierarchies. This way each person focuses on his responsibilities, working as a team and learning. This also reduces corporate politics."

Kunal Shah, Founder, FreeCharge, says, "We follow a flat structure and this has helped us build a great work culture. We give our employees a lot of freedom to implement their ideas and access senior leadership teams."

But growth fuels structures. WebEngage, being at that stage, has leads to teams, including development, design, support, marketing and sales. "Timely execution of things demands ownership and, hence, the leads, but other than that we prefer no hierarchy as such and follow an open culture, both physically and philosophically," says the founder, Avlesh Singh.

The tools that are mostly used are JIRA for project management and Salesforce for the sales team. Trello, Slack and Google Docs remain the next favourites.

## Measuring for a match win

Media Magic's svadhyaya programme requires that employees review and rate themselves. It's a 100 per cent self-review system where the manager comments only on the ranking and not on the review. Founder Kapil Agarwal believes no one can own your success or explain what you delivered. "Often, this self-review makes the employee contemplate where he should have focused more. Hence, he can plan the goals for the next year even better." Jain of Clever Tap approaches it differently: "The speed of feature releases is a good indicator of output and efficiency."

Startup employees engage better with their employers, thanks to flexible HR policies

## Balancing act

When passion drives performance, the work-life balance is re defined. Jain agrees. "While there's no organised attempt at employee engagement, we try to have fun as a team as much as we can. We took the team out for an

IPL match and called in an astronomer for a star-gazing event." At times, the absence of budget helps employees gel better. Kushal Agarwal, Co-Founder, Gift XOXO, shares an incident. "Our old office building required painting and decoration. Since we did not have a big budget, we announced a 'paint your wall' programme that became a hit with the employees. Everyone went beyond painting and decorated the office with captions and favourite cartoon characters. In no time, our office started looking swanky, with far greater sense of ownership among employees." Instamojo had a 'bring your pet to work' day. But it's the

**Blending roles calls for the founder to deliver on HR responsibilities. The first priority is managing people rather than managing a product.**

ease of work it focuses on more with work-from-home options, no rigid swipe in & out time and flexible work hours. There is also no restriction on the number of earned leaves as long as this does not harm the business/key deliverables. There are no defined work stations and employees can sit wherever they want. FreeCharge takes it a step ahead with flexible work hours and extended maternity leave.

## Salaries, Not an Issue

Deciding compensation is like walking on a knife and requires maintaining a balance between being profitable and creating value for employees. Clever Tap offers market or above market salaries apart from stock options. The goal is to make sure that the employees are not worried about salaries in the short term. Stock options are issued to encourage them to build something they will be proud of in the next few years. This takes care of long-term wealth generation. A similar trend is followed at PriceBaba, where the employee can decide the distribution of cash and equity. "We never try to retain someone for money. That is a race we cannot afford to run and do not want to run. We offer leadership and growth to people. The key takeaway for them is the learning. At the same time, we offer a combination of equity and cash. The candidate can choose if he wants more equity or more cash," says Agarwal.

## Disrupting the Game

HR functions in startups run in the vein of every other process as managing people is deeply integrated with the development of the product. Segregation and defining of functions is secondary.

The founders are disrupting the process without often realising the maturity that they have achieved. The stickiness of disruptive functions in startups should help them solve bigger business problems as they grow.

Are such disruptions possible at large corporations? Big firms have better platforms and bigger budgets, with often the best brains, to innovate. Is it possible to have lean workflows with high degree of transparency where the employee will know his performance with every delivery and not with the year-end appraisal ranking? Can large organisations sustain the holographic structure where the core culture of the founder gets imbibed in each of its parts?

What would it take for the firm to orient and align the new leaders in the firm to continue with the legacy? Can large firms function like a hologram where every employee and vertical is exactly a copy of the whole? ◆

*The author is Partner, CTTE HR.com, an open corporate community knowledge platform to share HR experiences.*

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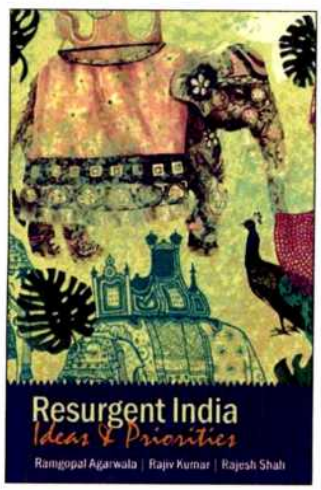
# Handbook for Change

**The book is a policy-maker's reference guide, grounded in plenty of evidence but elucidated in short paragraphs.** By DHIRAJ NAYYAR




***Resurgent India***
**By Rajiv Kumar, Ramgopal Agarwala and Rajesh Shah**
PAGES: 156
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For those who are sceptical about the pace of economic reform in the first 15 months of the BJP-led government, the Prime Minister's assertions in favour of reform on his recent trip to the United States of America ought to have been a very pleasant surprise. Not only did the PM reiterate his old pledge of getting the government out of the business of doing business he added deregulation as the fourth 'D' (after demography, democracy and demand) in his vision of an 'attractive for investors' India. The challenge now is to translate that rhetoric into reality on the ground. Investors will commit their goodwill in response to the right words but will only commit their money when they see changes for real.

If Modi's team responsible for converting his vision into visible changes is looking for an easy to read menu of changes that can be made in a variety of policy spheres, they need look no further than this book by economists Rajiv Kumar, Ramgopal Agarwala and industrialist Rajesh Shah. The authors are unabashed about their faith in the Modi Government, which may have blunted their credibility had this been a general book on Indian economic policy.

Let's be clear. This book is not an academic or even semi-academic treatise. In fact, it may disappoint those looking for one. Instead, it is a policy-makers' reference guide (specifically for Modi's policy mandarins), grounded in plenty of evidence but elucidated in short (almost bullet point like) paragraphs.

Interestingly, the book is not against planning but advocates a move away from public investment planning to public policy planning. The book was probably written before Modi abolished the Planning Commission so it advocates a move away from five-year plans to ten-year perspective plans. The NITI Aayog is the government's think tank but so far it isn't clear whether its mandate is to do any time specific planning. Of course, the government has laid down time-bound targets for several things, including electricity for all and housing for all, the targets being well under 10 years in most cases. Perhaps the authors of Resurgent India underappreciate the fact that a government which has a mandate for five years can't plan everything for ten years. Be that as it may, the authors believe that ten years is a better time frame for executing their ideas and put their suggestions up for that period.

Of course, this book isn't an attempt in advocacy at the old way in any policy area. Indeed, it tries to break new ground by including chapters on issues/sectors that economists usually give short shrift to, like water and climate change. Fortunately, the prescriptions are oriented on market principles. For water, the authors recommend a raise in tariffs and distribution by private and semi-private companies so that allocation is rational and water is not wasted. On climate change and energy, the authors recommend FDI in renewable energy, a focus on solar and an unbundling of the electricity sector to create a competitive one - all good ideas.

The book is solid in most parts. Where it is weaker is in the section of welfarism (for the youth and disadvantaged), perhaps not the core of the book and put in to make it a politically attractive proposition.

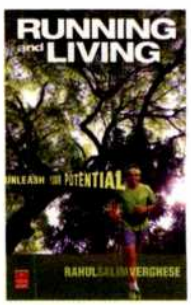
Resurgent India joins a plethora of work on what the ideas and priorities of the Modi government should be. If even a fraction of the priorities are implemented India could be transformed. ◆

*The reviewer is an Economist and a Columnist*

This book tries to break new ground by including chapters on issues/sectors that economists usually give short shrift to, like water and climate change

# *Why Running is the New Golf*

## Running together is a team-building exercise that promotes loyalty. By SANJAY TRIPATHY




***Running and Living: Unleash Your Potential***
**By Rahul Verghese**
PAGES: 196
PRICE: ₹309
Vision Books

In the last few months, I have read few physical books; fewer at a stretch. But this book is an exception: I started and finished it in one stretch. Not only because this book is about something I am truly passionate about - running - but also because the book talks about everything I, or any other passionate runner, experiences and believes in.

I have known of Rahul Verghese of course. He is a fellow marketing professional who has logged in over 25 years at places like Unilever, Nestle and Motorola. But this book gives the reader a completely different perspective of the person and his character.

A late entrant into running, Rahul started running to fulfil his dream of running a marathon. The first marathon must have been the toughest, as he himself writes. The dream ignited passion, made him persevere till he completed his marathon and pushed him extra hard over the toughest-the last two miles. The book talks about mental barriers every non-runner, non-exerciser has – internal and external.

For any non-runner to become a runner, there are hundreds of websites that will give you instructions. This book is sort of a one-stop shop for you if you want to start running. It gives schedules for beginners as well as experienced runners, the basic tricks of running including small stuff like carrying water, buying the right gear, sleeping on time, eating right etc. As Rahul writes about the injuries he overcame, we realise again how running is more about mind than body. It's his mind that has driven him to complete 51 marathons, including one of the toughest in the world - the Everest Marathon.

The parallels are not between running and life alone. In an organisation, when the leaders start running and motivate others to run, they build a more successful business. As he writes, running together is a team building exercise like no other. It builds synergy, helps people build bonds and promotes loyalty. New relationships are made and old ones are made stronger. As he says, running is the next golf.

This book motivates a non-runner to get up and start running. It is about how you can continuously challenge yourself and achieve your dreams, without creating unnecessary stress in your life. It says what I have come to believe in the last few years – running changes you totally as a person. It helps you become more humble, empathetic, goal-driven and happier. And if you take the right lessons from running, you become a better human being, a better team leader, a more successful business leader and helps you build a better organisation. ◆

*The reviewer is Senior Executive VP, Head Marketing, Product Analytics, Digital & E-commerce, HDFC Life and a keen long-distance runner*

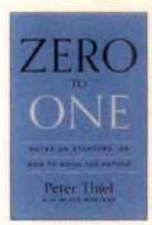
## Who Cheats and How?

THE FORTNIGHTLY PICK

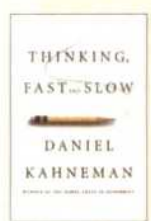
By Robin Banerjee
SAGE Publications
Price: ₹475

This book presents a comprehensive perspective on the frauds and scams that pop up in the corporate world.

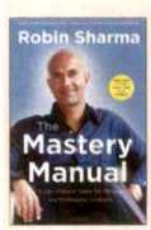
## BUSINESS BESTSELLERS*



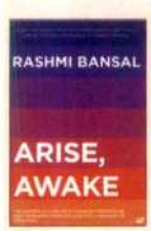

*Zero to One*
By Peter Thiel
Random House
Price: ₹499



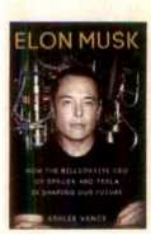

*Thinking, Fast and Slow*
By Daniel Kahneman
Penguin
Price: ₹499




*The Mastery Manual*
By Robin Sharma
Jaico Publishing House
Price: ₹199




*Arise, Awake*
By Rashmi Bansal
Westland Books
Price: ₹200




*Elon Musk*
By Ashlee Vance
Virgin Books
Price: ₹699

*Top books by sales for 30 August-12 September, 2015; Includes only books released after July 1, 2014; Information provided by amazon.in

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Manager/ Sr.Manager
**Location:** Bengaluru / Bangalore, Gurgaon
**Job ID:** 17510437
**Description:** Responsible for implementation and ongoing administration of large scale Cloudera Hadoop environments.

**GlobalHunt India Private Limited**
DGM Legal
**Location:** Thrissur / Trissur
**Job ID:** 17506752
**Description:** Manage and instruct 6 LM S across India ,advisory ,legal research ,contract negotiation ,crisis management.

**Orcapod Consulting Services Pvt. Ltd.**
Sr. Manager/ Manager- HR
**Location:** Pune
**Job ID:** 17489743
**Description:** Minimum 8 years of experience in HR Recruitment & Generalist Role.

**eClerx Services Private Limited**
Senior Software Engineer-.Net
**Location:** Chandigarh
**Job ID:** 17516884
**Description:** Strong experience in .NET 2.0/3.5/4.0 ASP.NET, C# AJAX.

**ERS**
Android Developer
**Location:** Noida
**Job ID:** 17516553
**Description:** Strong knowledge of Android SDK different versions of Android.

**Macrew Technologies Private Limited**
ios Developer
**Location:** Mohali
**Job ID:** 17516747
**Description:** Design, develop/enhance, implement and maintain existing/new I Phone application.

**Talent Corner Hr Services Private Limited**
Senior Manager
**Location:** Mumbai
**Job ID:** 17490707
**Description:** Good written, verbal, and presentation communication skills; strong command of grammar, spelling and style.

**Mancer Consulting Services Pvt Ltd**
VP FP&A Insurance
**Location:** Bengaluru / Bangalore
**Job ID:** 17518410
**Description:** Lead the initial phase of transformation for the client & identify opportunities for consolidation & migration.

**TalPro Manpower Consulting Services**
Head- Products
**Location:** Bengaluru / Bangalore, Gurgaon
**Job ID:** 17516045
**Description:** Drive strategic innovation to generate new product ideas, research/ analyses them for feasibility and business impact.

**Jiffy Research Pvt Ltd**
Sr PHP Developer
**Location:** Mumbai
**Job ID:** 17516890
**Description:** Minimum 3 years exp with PHP LAMP, REST API, SOAP, MEMCACHE.

**Spring People Software Private Limited**
Regional Corporate Sales Head
**Location:** Hyderabad / Secunderabad
**Job ID:** 17325302
**Description:** Maintaining and increasing Spring People Corporate Training sales in the territory.

**NXTK Solutions Private Limited**
Magento Developer
**Location:** Bengaluru / Bangalore
**Job ID:** 17516720
**Description:** Responsible for maintaining an existing e-commerce website.

**Omam Consultants Private Limited**
Deputy Manager- Stores
**Location:** Ghaziabad
**Job ID:** 17495255
**Description:** Any Graduate with Min 6 years of experience.

**Green Apple Solutions**
Java Developer
**Location:** Pune
**Job ID:** 17516620
**Description:** Candidate should have experience in web application development with Java, JSP, JQuery are mandatory skills.

**Feet2acres Property Consultants Pvt. Ltd.**
Vice Presidents - Equity Origination
**Location:** Bengaluru / Bangalore
**Job ID:** 17477797
**Description:** Proactively solicit new equity investment business and sell Realty Mogul equity products.

**AR Wonders Technologies Private Limited**
Linux Support Enigginer
**Location:** Mumbai
**Job ID:** 17498179
**Description:** Data Management, & Back-ups, System Monitoring, Application Monitoring and trouble shooting etc.

**Incessant Technologies Private Limited**
Associate Architect / Architect - Pega PRPC
**Location:** Hyderabad / Secunderabad
**Job ID:** 17516781
**Description:** Minimum 8 to 12 years of experience in PRPC technology platform.

**Parexel International India Private Limited**
Senior Manager, Statistical Programming
**Location:** Bengaluru / Bangalore
**Job ID:** 17506267
**Description:** Manage & oversee departmental activities including appropriate resourcing of staff.

**Madras Campus**
Software Engineer Trainee
**Location:** Chennai
**Job ID:** 17516615
**Description:** Knowledge in C language, C++ concepts, Data Structures, OS concepts, etc.

**Work at Will**
Dot net developer
**Location:** Bengaluru / Bangalore
**Job ID:** 17516827
**Description:** Good experience in Dot net development.

**Cognizant Technology Solutions I Pvt Ltd**
IDQ Senior Developer
**Location:** Mumbai, Pune
**Job ID:** 17511927
**Description:** Generic Scripting for executing workflows in IDQ & Power Center independently.

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**Description:** Looking for male candidates with their own bike for client visits.

**Akshay Software Technologies**
BDE
**Location:** Navi Mumbai
**Job ID:** 17516258
**Description:** Result oriented candidate with good oral & written communication skills.

**New Ways Consulting Services**
Digital Marketing Executive
**Location:** Delhi
**Job ID:** 17516946
**Description:** Brand visibility - Manage & run content, design & campaign development on all the social media platform.

**Iha Consulting Services Private Limited**
Senior Consultant - Marketing
**Location:** Delhi, Hyderabad / Secunderabad
**Job ID:** 17517636
**Description:** Person must be able to get big sized orders for a unique product that goes into these plants for efficiency.

**Black Turtle**
Manager-Statutory Audit
**Location:** Pune
**Job ID:** 17516980
**Description:** Strong exposure in auditing manufacturing, retail, pharmaceutical etc.

**Job Mantra**
Chartered Accountant
**Location:** Surat
**Job ID:** 17511658
**Description:** Looking for a Qualified CA with 5 to 10 years of post qualification exp.

**Continuum Managed Solutions Pvt Ltd**
Billing & Collections MIS Executive
**Location:** Mumbai
**Job ID:** 17512124
**Description:** Adhere to the Billing Process with regards to timelines & activities needed for each sales order.

**Bridge HR Consulting private Limited**
Sr. Sales Executive
**Location:** Delhi, Noida
**Job ID:** 17516469
**Description:** New Customer Acquisition through prospecting new clients.

**Visinity Software Private Limited**
Sales "Marketing Executive"
**Location:** Bengaluru / Bangalore
**Job ID:** 17467354
**Description:** Good communication skills, Has to be convincing and hard working.

**Intercom WorldWide SL**
Business Development Executive
**Location:** Gurgaon
**Job ID:** 17518268
**Description:** Responsible for the achieving the sales and business development target of the area as per plan.

**Infogain India Private Limited**
Junior Officer-Finance
**Location:** Noida
**Job ID:** 17507966
**Description:** Basic Understanding of dealings in A/R, Open to work in UK shifts.

**Busisol Sourcing India Private Limited**
CA
**Location:** Chennai
**Job ID:** 17515654
**Description:** Finalization of Accounts, Statutory Compliance – Income Tax etc.

**Aryan HR Solution**
Account Executive
**Location:** Navi Mumbai
**Job ID:** 17512901
**Description:** Maintaining the books of accounts for the company.

**E-Solutions India**
Head / Sr.Manager (Internal Audit)
**Location:** Ghaziabad
**Job ID:** 17508916
**Description:** Conducting Internal Audits in all the functions on Pan India basis covering Finance, Sales, Study of business processes.

**Angel Broking Limited**
Relationship Officer - Sales Officer
**Location:** Coimbatore
**Job ID:** 17516422
**Description:** Selling Investment product like A/c, Mutual Fund, PMS, Life Insurance.

**Right Choice Placement Services**
Marketing Executive
**Location:** Pune
**Job ID:** 17514512
**Description:** Basic knowledge of electric marketing is preferable.

**Olacabs**
Digital Marketing Manager
**Location:** Bengaluru / Bangalore
**Job ID:** 17518235
**Description:** Strong experience in m companies.

**Mastermind Network**
AVP / VP - M&A
**Location:** Mumbai
**Job ID:** 17517989
**Description:** Strong IB skill, Support M&A Lead the hiring & training of team (100+).

**Flexi Careers India Private Limited**
Audit Executive
**Location:** Hyderabad / Secunderabad
**Job ID:** 17515543
**Description:** Either pursuing CA Inter with experience in Internal Audit.

**Exertia Consulting**
Financial Analyst
**Location:** Noida
**Job ID:** 17512272
**Description:** Must have extremely strong MS L skills.

**Value Vision Management Consultants**
Senior Executive/ Team Lead
**Location:** Bengaluru / Bangalore
**Job ID:** 17305235
**Description:** Good communication skills / sho a self-starter.

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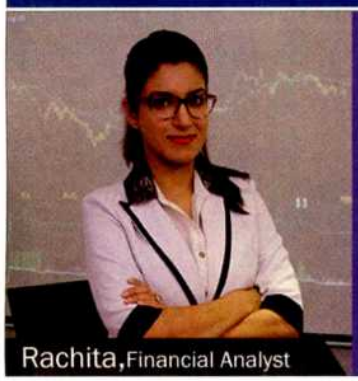


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VIVAN MEHRA

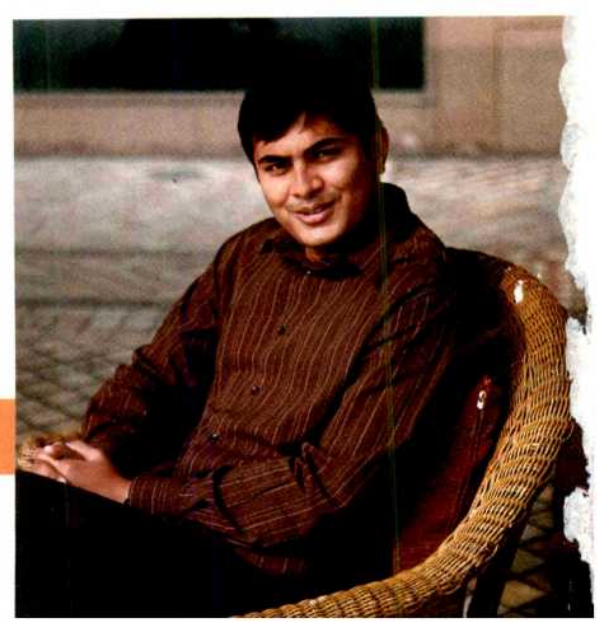
**Shivinder M. Singh**
Executive VC, Fortis Healthcare

## A Higher Calling

After spending close to two decades in setting up the private hospital chain Fortis Healthcare, the company's co-founder **Shivinder Singh** has decided to step down from the post of executive vice-chairman and take up a different role. Singh will now be serving full time at the Punjab-based spiritual and philosophical organisation Radha Soami Satsang Beas. Singh, along with his elder brother Malvinder Singh, sold his 35 per cent stake in Ranbaxy to Japan's Daiichi Sankyo in 2008 for a hefty sum. Over the years, Fortis has grown its presence. It now has 54 healthcare facilities and some 10,000 beds and 260 diagnostic centres. Prior to their stake sale in Ranbaxy, Singh brothers were running the company, one of the country's pharmaceutical giants at the time.

## Controversial Ambassador

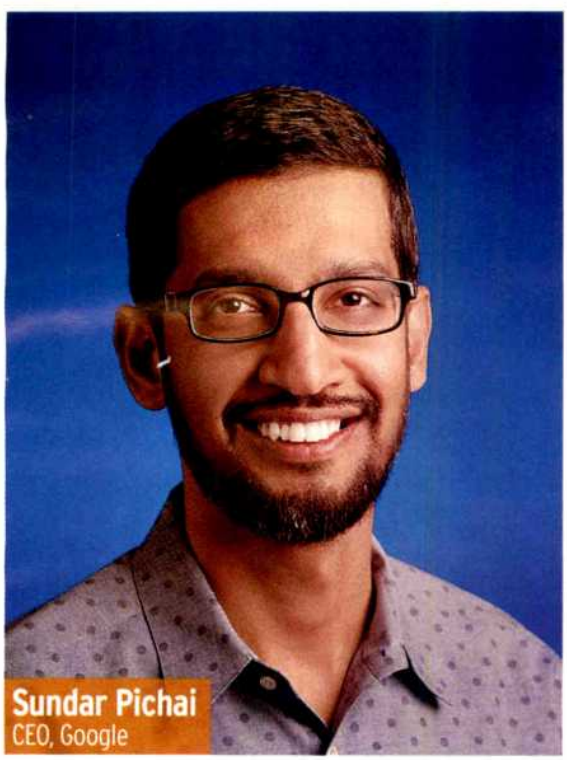
It came after a flip-flop on the appointment of brand ambassadors for the Digital India programme. The government last week acknowledged appointing **Ankit Fadia**, who calls himself an 'ethical hacker', one of the four brand ambassadors for the campaign. The announcement has kicked up a storm on social media where netizens are doubting his abilities and whether he fits the role. The controversy erupted when Fadia wrote on his Facebook wall claiming that he is a brand ambassador for Digital India coinciding with Narendra Modi's visit to Silicon Valley to promote the campaign.



**Ankit Fadia**
Ethical Hacker

## Smart Stations

Prime minister Narendra Modi's ambitious Digital India programme got a major push recently when the India-born Google CEO **Sundar Pichai** announced that his company will provide high-speed internet services at 500 railway stations in India. Pichai said that it will take up 100 stations initially and will expand the services to 400 more stations by next year. The 43-year-old IIT Kharagpur alumnus was promoted in August to lead Google, a company he joined in 2004. He was instrumental in the launch of several marquee products at Google, including Google Chrome browser and Chrome OS.



**Sundar Pichai**
CEO, Google

**Bhavish Aggarwal (L) and Ankit Bhati, Co-Founder, Ola**

## Driving Success

In order to take on its arch rival Uber, the Bangalore-based Ola has recently got funding from Didi Kuaidi, the largest taxi aggregation service provider in China. Ola, founded by **Bhavish Aggarwal and Ankit Bhati** in 2011, has emerged as the market leader over the years. A presentation by SoftBank Corp., an investor in Ola, pegged Ola's market share at 60 per cent in November 2014, based on registered vehicles. Ola reportedly plans to raise some $500 million, and the investment by Didi Kuaidi is considered part of it. The company has already raised some $225 million from Falcon Edge and other investors like Tiger Global and Softbank, making Aggarwal and Bhati one of the most successful internet entrepreneurs in the country.

**Matthias Müller**
CEO, Volkswagen

## Porsche to The Rescue

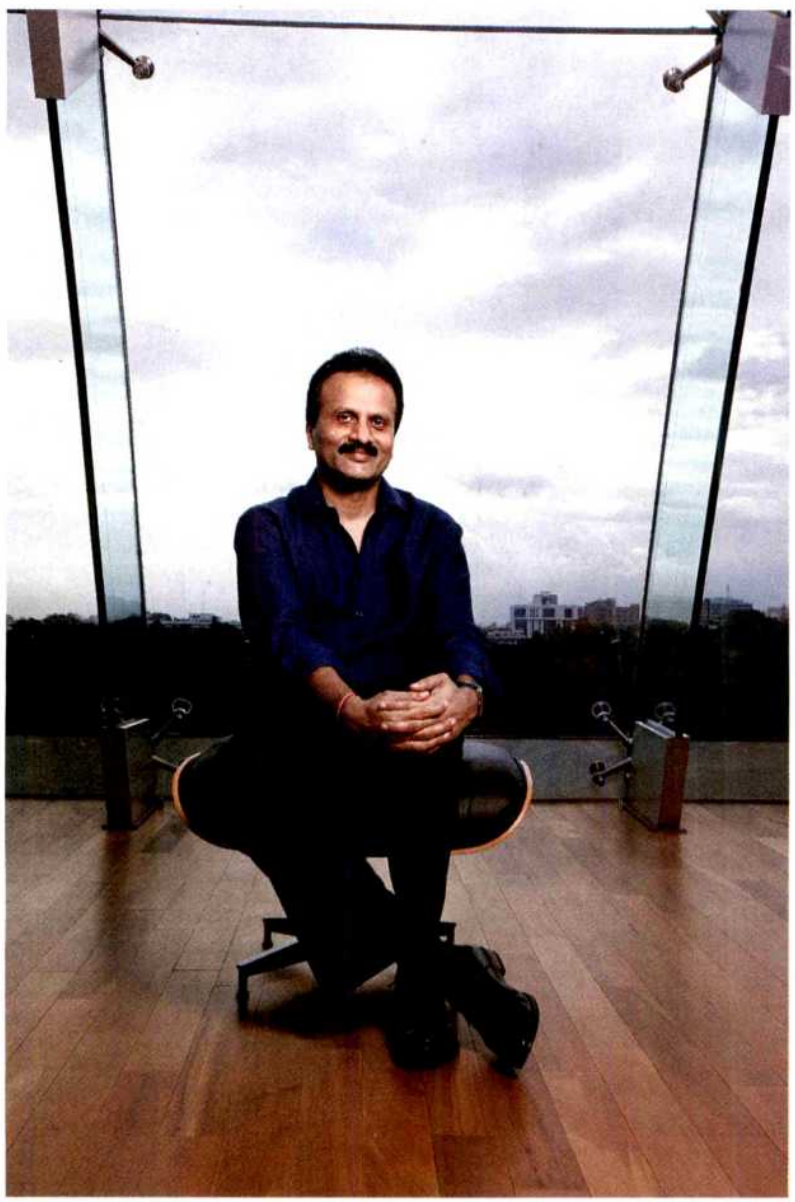
When a crisis hit the German carmaker Volkswagen recently, it decided to seek help from within the group. After the controversial dieselgate scandal and the resignation of its former CEO Martin Wintekorn, the company has appointed **Matthias Müller**, the former chief executive of Porsche, a Volkswagen group luxury company, to pull it out of the gigantic mess that is badly hurting the company's reputation. Müller, 62, has promised investors and customers a rigorous investigation into the emissions cheating scandal that has rocked the car industry across the globe. Müller will lead the 78-year-old brand until February 2020.

COMPILED BY MANU KAUSHIK

Full interview with V.G. Siddhartha at businesstoday.in/ccd-siddhartha

# "Competition helped improve standards"

He owns 1,542 out of the 2,000 cafes in India and plans to set up 135 more in the next year-and-half. However, **V.G. Siddhartha**, Chairman, Coffee Day, says that this is just the beginning of his growth story in a conversation with **Ajita Shashidhar**.



***How has the competition impacted your business?***

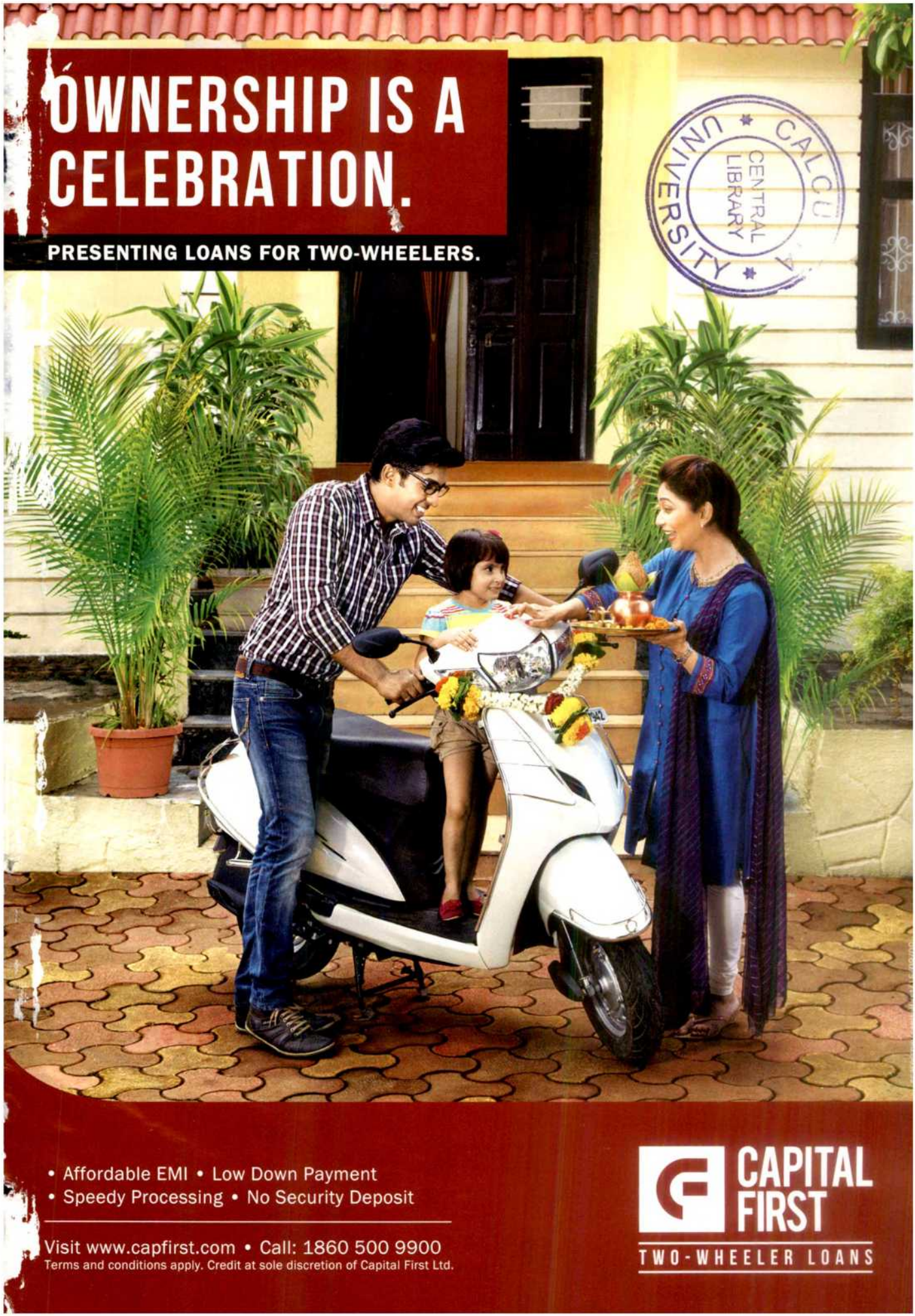
Competition has helped us improve our standards. However, by virtue of their pricing, they target only three per cent of India's population. We want 30 per cent of India's population to be our guests. Ours is an aspirational brand. We continuously do research to ensure that all our products taste the same across all our stores.

***What has been the most important lesson?***

Standardisation. Earlier, we used to source the ingredients for our beverages and food from 210 suppliers. Now, we have come down to four. We used to put ice-cream in our cold coffee and each ice-cream supplier's taste and fat content differed. Now, ingredients for all our cold beverages are manufactured at our central base in Bangalore.

***How and why did you enter the coffee business?***

In 1994, we were India's largest coffee exporters and during that time I met the owner of one of my largest buyers from Germany, Tchibo, the second largest roaster of coffee in the world. He told me that his grandfather started his café business in 1948 in a 10x0 store. I realised they bought the $10 billion FMCG company Nivea with that money. Inspired with Tchibo's success I started selling coffee powder in 1995, but it is restricted only to South India. The bigger game was in the café business. A friend of mine was the head of marketing at a leading FMCG company and I told him that I want to start cafes and open my first café on Brigade Road in Bangalore. He asked me how much I wanted to price my coffee at, and I told him Rs 25. He was confident that nobody will buy coffee paying Rs 25. I dropped the idea. However, in 1996, I saw people drinking beer and surfing the Internet in Singapore. I decided to put up an Internet café and serve coffee there. ◆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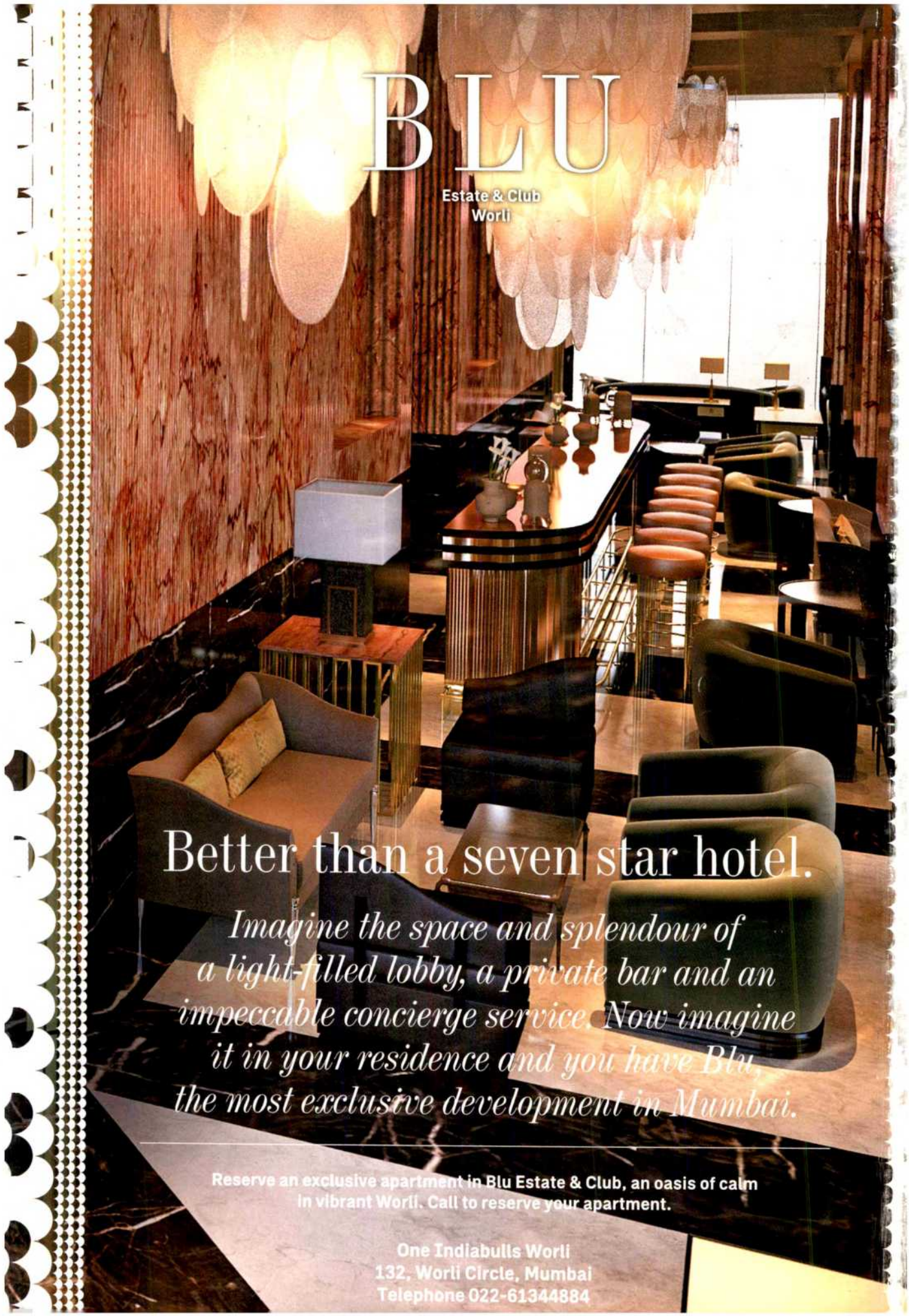
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